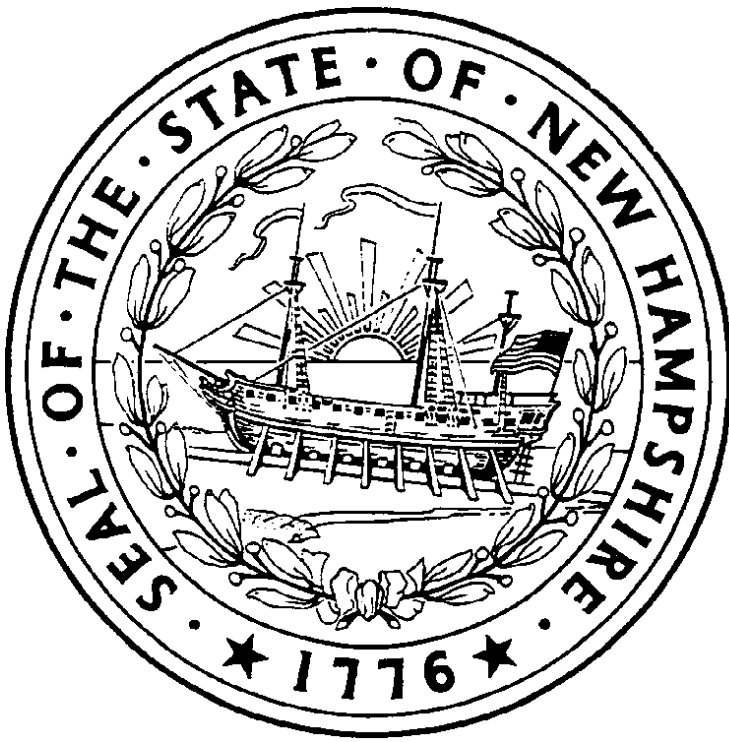


New Hampshire Comprehensive Annual Financial Report

For The Fiscal Year Ended June 30, 1999



Administrative Services

Donald S. Hill, Commissioner

Thomas E. Martin, Comptroller

Prepared by the Division of Accounting Services

This document and related information can be accessed at www.state.nh.us/das/accounting



Jeanne Shaheen
Governor
State of New Hampshire



JEANNE SHAHEEN
GOVERNOR

STATE OF NEW HAMPSHIRE

OFFICE OF THE GOVERNOR

To: The Honorable Members of the Legislature and
to the Citizens of the State of New Hampshire:

I am pleased to accept the Comprehensive Annual Financial Report for the State of New Hampshire, covering operations for the fiscal year ended June 30, 1999. Included in this report are the State's independently audited general purpose financial statements prepared in accordance with generally accepted accounting principles (GAAP). This report is presented to you and to the financial community to enable you to more clearly comprehend New Hampshire's financial status.

New Hampshire continues to be one of the best places to live, work and raise families. New Hampshire has one of the fastest growing economies in the country. Our vibrant, diversified economy is reflected in our unemployment rate-- the lowest unemployment rate New Hampshire has experienced in years and one of the lowest in the country.

Through ingenuity, wise investments and innovative public-private partnerships, our economy has evolved and taken advantage of new technologies and global opportunities. New Hampshire now has the highest concentration of high-technology workers in the nation, and New Hampshire citizens boast a top-ten ranking in the number of patents for innovative new products issued per person. We are now third in the nation in growth in international trade. And, the quality of our workforce and our friendly business climate have made New Hampshire a magnet for international investment.

We are also continuing to promote our traditional industries, such as tourism, and focusing new attention on the forest products industry.

Education remains the key to a strong economy in the future, and our workforce must have the skills they need for the jobs of the 21st century. We have increased our investment in both the university system and the community technical college system. We have fundamentally changed the way we pay for public K-12 education. In just two years we moved from a system where the state paid less than 10 percent of public school costs to one where the state pays more than 60 percent. While the debate on how we best finance this obligation will continue, the state is now meeting its responsibility to ensure that every child has the opportunity for a good education, no matter where that child lives.

Many challenges lie ahead of us, including the challenge of how we preserve our open spaces and natural resources as we continue to expand economic opportunity. We emerge from this past year with a strong financial base with quality, and we are blessed with citizens and public officials who are committed to continually making New Hampshire a better place to live and work.

Very Truly Yours,

A handwritten signature in black ink that reads "Jeanne Shaheen".

Jeanne Shaheen



NEW HAMPSHIRE

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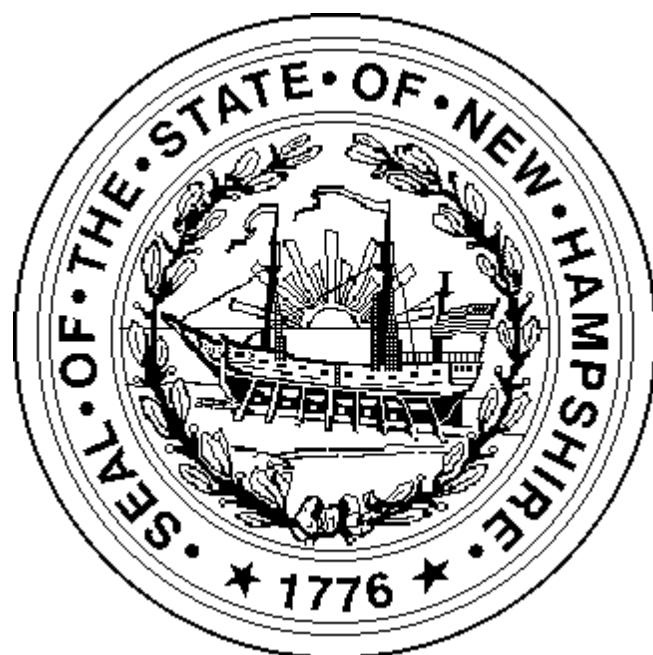
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Introduction



State of New Hampshire
Selected State Officials
For the Fiscal Year Ended June 30, 1999

Executive Branch

Governor Jeanne Shaheen

Executive Council

Raymond S. Burton, District 1

Peter J. Spaulding, District 2

Ruth L. Griffin, District 3

Thomas P. Colantuono, District 4

Bernard A. Streeter, District 5

Attorney General

Philip T. McLaughlin

Commissioner of Administrative Services

Donald S. Hill

Treasurer

Georgie A. Thomas

Secretary of State

William M. Gardner

Judicial Branch

Chief Justice of the Supreme Court
David A. Brock

Legislative Branch

President of the Senate

Clesson J. Blaisdell

24 Senators

Speaker of the House of Representatives

Donna Sytek

400 Representatives

STATE OF NEW HAMPSHIRE

ORGANIZATION CHART



LEGISLATIVE

Senate
House of Representatives
Legislative Services
Legislative Budget Assistant

EXECUTIVE

Governor
and
Council

JUDICIAL

Supreme Court
Superior Court
District Court
Municipal Court
Probate Court

STATE AGENCIES AND COMPONENT UNITS (*)

GENERAL GOVERNMENT

Administrative Services
Cultural Resources
Executive Office
NH Retirement System*
Revenue Administration
Secretary of State
State Treasury

ADMINISTRATION OF JUSTICE AND PUBLIC PROTECTION

Adjutant General
Agriculture, Markets & Food
Banking
Corrections
Employment Security
Highway Safety
Insurance
Justice
Labor
Liquor Commission
Pari-Mutuel Commission
Public Deposit Investment Pool
Public Utilities Commission
Safety

RESOURCE PROTECTION AND DEVELOPMENT

Business Finance Authority*
Environmental Services
Fish and Game
Community Development Finance
Authority*
Pease Development Authority*
Resources and Economic Development

TRANSPORTATION

Port Authority
Transportation

HEALTH AND SOCIAL SERVICES

Health and Human Services
Veterans' Council
Veterans' Home
Youth Development Services

EDUCATION

Education
Postsecondary Education Commission
NH Community Technical College System
Sweepstakes Commission
University System of New Hampshire*



STATE OF NEW HAMPSHIRE

DEPARTMENT OF ADMINISTRATIVE SERVICES

OFFICE OF THE COMMISSIONER

State House Annex - Room 120
Concord, New Hampshire 03301

DONALD S. HILL
Commissioner
(603) 271-3201

December 1, 1999

To: The Citizens of New Hampshire,
Her Excellency the Governor
and the Honorable Council

In accordance with the Revised Statutes Annotated (RSA) 21-I:8,I,(h), it is a pleasure to submit the Comprehensive Annual Financial Report (CAFR), covering the fiscal year ended June 30, 1999. We are proud to team up with the Department of Cultural Resources to feature New Hampshire's participation in the *Smithsonian Folklife Festival*. The success of the festival could not have been accomplished without the enormous cooperation of so many citizens and organizations. Showcasing the state's traditions and lifestyles at the festival provided an excellent opportunity to communicate New Hampshire's quality of life, which is key to attracting business and people for future economic growth.

This report has been prepared by the state Department of Administrative Services and responsibility for both the accuracy of the data presented and completeness and fairness of the presentation, including all disclosures, rests with the state. The general purpose financial statements, considered by management to present fairly and consistently the state's financial position and results of operations, are based on generally accepted accounting principles (GAAP).

The CAFR is presented in three major sections:

- The Introductory Section includes this transmittal letter, the state's organization chart, and summary financial information.
- The Financial Section includes the independent auditors' report, general purpose financial statements, and combining financial statements and schedules.
- The Statistical Section contains selected financial, demographic, and economic data.

The financial reporting entity includes all funds and account groups of the state as legally defined, as well as all of its component units. Component units are legally separate entities for which the state is financially accountable. Note 1 of the Notes to the General Purpose Financial Statements provides a more complete description of the state's reporting entity. The state provides a full range of services including: the construction and maintenance of highways and infrastructure, education, social and health services, public safety, conservation of natural resources, economic development, and recreation facilities and development.

ECONOMIC CONDITION AND OUTLOOK

The New Economy Index

How Does New Hampshire Compare?

Indicator	National Rank
New Hampshire Score Overall	7th
High – Tech Jobs <i>Jobs in High – Tech electronics manufacturing, software and computer – related services, and telecommunications as a share of total employment.</i>	1st
Gazelle Jobs <i>Jobs in companies with annual sales revenue that have grown 20% or more for four straight years as a share of total employment.</i>	5th
Workforce Education <i>A weighted measure of the educational attainment of the workforce.</i>	9th
Online Population <i>The percentage of adults with internet access.</i>	5th

Source: The State New Economy Index, The Progressive Policy Institute (PPI) Technology Project

In a study by the Progressive Policy Institute, New Hampshire ranked 7th in the nation in the “New Economy Index”. The new economy is one based on information, globalization and entrepreneurial innovation. New Hampshire ranked 1st in the number of high-tech jobs as a share of total employment.

In reviewing the *Economic Scoreboard*, New Hampshire’s ranking among the 50 states and New England also indicates how New Hampshire continues to be a very attractive place to live.

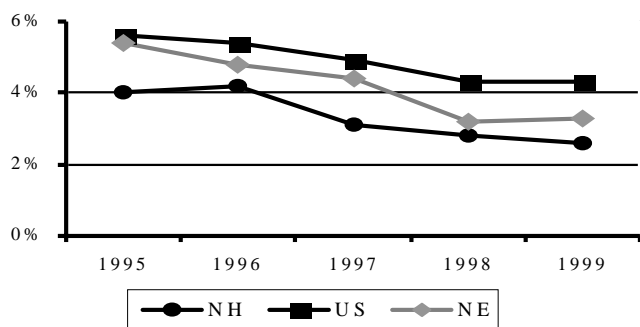
The leading and emerging industries in New Hampshire reflect the state’s advantageous position in the New England regional economy. The state benefits from a strong supply of skilled labor, proximity to Boston, access to research universities, a relatively low tax burden and cost of living, and a diversified industry. Although manufacturing still employs over 105,000 individuals in the state, the industrial and agricultural economy that sustained the state through most of the 20th century is rapidly changing as we near the century’s end. During the period 1993 to 1998 the largest employment increases were in services, 26.5%, and wholesale and retail trade, 18.1%.

New Hampshire’s Economic Scoreboard for 1999

Categories	NH’s National Rank	NH’s Rank in New England
Child and Family Well-Being (Annie E. Casey, 1999)	1st	1st
Standard of Living (by Poverty Rate)	1st	1st
Safest State (Morgan Quitno, 1999)	2nd	1st
Healthiest State (Morgan Quitno, 1999)	4th	2nd
Most Livable State (Morgan Quitno, 1999)	8th	1st
College Graduation Rate	16th	4th

Source: New Hampshire Economic Review, Public Service of New Hampshire

Unemployment Rates



New Hampshire’s per capita personal income is 10% above the national average and ranks third in New England. Unemployment rates have remained below the nation and New England over the last five years. High income levels and low unemployment contribute to the state having the nation’s lowest poverty rate.

MAJOR INITIATIVES

Health Care

Last January, New Hampshire launched the Children's Health Insurance Plan, an innovative public-private partnership that is making health insurance available to many New Hampshire children for the first time. With a simplified two-page application form and sliding-scale premiums, this program has made getting health insurance easier and more affordable for New Hampshire families. Since January, over 6,000 previously uninsured children have enrolled.

The legislature is considering an HMO Accountability Act, which would provide new protections for people who get their care through HMOs, and a proposal to allow small businesses to form alliances to purchase health insurance for employees.

In January, 2000, the state is launching a two-year pilot program to help make prescription medications more affordable for senior citizens. Any New Hampshire resident 65 or over, regardless of income, can receive a free discount card that can be used at participating pharmacies. Discounts will vary based on the pharmacy and the medication, but could reach up to 40 percent for generic medications and up to 15 percent for brand-name medications.

Economic Development

New Hampshire is on the cutting edge of the new economy. The state now has the highest concentration of high-technology workers in the nation. We also have one of the lowest unemployment rates in the nation and one of the fastest growing economies.

To meet the needs of a changing economy, New Hampshire must have a workforce that is prepared for the jobs of the 21st century. That's why the state has increased its investment in New Hampshire's university system and community technical colleges and is reforming the state's job training system to make it more responsive to the needs of employees and businesses.

New Hampshire's export rate is growing every year and more companies are relying on international sales of their goods and services. As part of a strategy to encourage and improve ties with foreign markets, the Governor led a trade mission to the United Kingdom and the Republic of Ireland, which resulted in an estimated \$395 million in sales from New Hampshire companies to those markets. This year the Governor will lead a similar mission to Germany and Denmark to help New Hampshire companies meet potential customers.

The state has increased investment in its second largest industry, tourism, and has elevated the state's Office of Travel and Tourism to a division within the Department of Resources and Economic Development.

The Business Commission on Child Care and Early Childhood Development brought the business community to the table for the first time to address child care. The commission believes businesses must understand that employees are more productive if they know their children have safe, quality child care.

Lowering Electric Rates

The state has made a number of significant advances toward lowering electric rates for New Hampshire families and businesses. On August 2nd the state and PSNH reached a settlement agreement that will lower electric rates for PSNH customers by 18 percent and save PSNH customers almost \$800 million over the next few years—the equivalent of a full year of free electricity for all PSNH customers. The settlement agreement resolves the costly litigation brought by PSNH that has blocked competition and lower rates for almost three years. The settlement agreement must first be approved by the Public Utilities Commission and the legislature before customers can see their rates lowered. In addition, on September 30th PSNH and the NH Electric Cooperative reached an agreement that will result in significantly lower rates for the 70,000 families and businesses served by the Co-op. These two agreements follow the approval last year of a settlement with Granite State Electric.

Infrastructure

The 2000-2001 budget included the hard-money match needed to obtain over \$81 million in additional federal transportation funding. New Hampshire is using that money, along with state and other federal money, to make major investments in its roads and bridges, and residents can see the improvements across New Hampshire. The second phase of the expansion of Route 101 opened this fall and the entire project will be completed by the fall of 2000—three years ahead of schedule. The \$207 million expansion of the Everett Turnpike and the opening of the link to Hudson on the circumferential highway were completed this fall as well, two years ahead of schedule. New Hampshire is also working on reconstructing major portions of Route 3 in the North Country. Currently, all but a handful of the red-listed bridges are slated for repair or replacement and in the last three years a total of 79 municipal projects have been authorized and 53 completed. The state is also working to ease congestion on New Hampshire's roads by giving people an alternative way to travel—the railroad. The state is working with national, state, and local officials to establish light rail service between Nashua and Lowell, Mass.

Education

New Hampshire fundamentally changed the way it pays for education in the past year. But while education funding has dominated the debate, the state has been working on a number of other initiatives to improve the quality of education. The Best Schools Initiative and its flagship program, the Best Schools Leadership Institute, are bringing teams of community members, parents, teachers, administrators, and students together to set goals for their schools, such as lower dropout rates and higher test scores, and giving them help to meet those goals. The first 20 schools entered the three-year program this year and, over the next six years, 240 New Hampshire schools will participate.

The state has also worked to improve public schools by initiating tougher standards for teacher re-certification and the testing of new teachers. School report cards are being issued so parents know whether their children's schools measure up.

Environment

The administration understands that preserving New Hampshire's unique natural, cultural, and historic resources is critical to our future. The state is working with local communities to protect the environment and has funded municipal grant programs that assist communities with drinking water and wastewater treatment and landfill closures. The budget includes a new program that will help localities protect their drinking water supplies. The state has embarked on an effort to improve energy efficiency in state owned and operated buildings, as well as reassessing how government programs and policies help or hinder so-called sprawl. At the federal level, the administration has actively supported new regulations to improve air quality, reduce regional haze, and strengthen vehicle emissions standards. At the regional level, the administration has taken the lead on addressing the problems of MtBE and mercury contamination, which threaten the integrity of New Hampshire's water and wildlife resources.

Making Government Work Better

This administration is committed to continually improving the way state government serves the people of New Hampshire. One example is the Kids Cabinet, formed last fall, which for the first time brings together the state's top officials to coordinate their efforts on children's issues. The Kids Cabinet is working on a number of initiatives, including improving the quality, affordability, and availability of child care; increasing the number of children who have health coverage; and reducing the rates of youth substance abuse and sexual activity.

FINANCIAL INFORMATION

GENERAL FUND PERFORMANCE

Five Year Summary of General Fund Unrestricted Revenue

GAAP Basis (In Millions)

Unrestricted Revenue

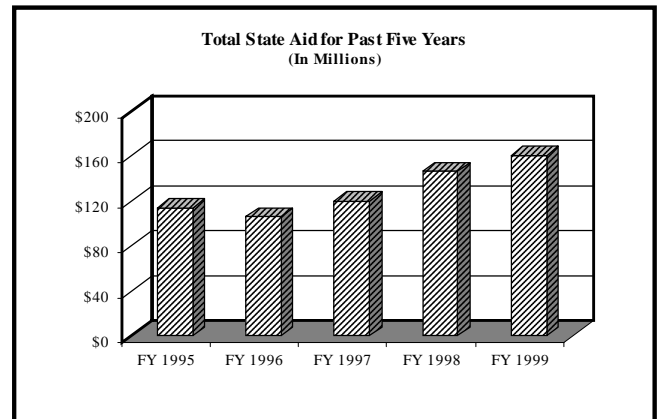
Unrestricted revenues for fiscal year 1999 grew 6.8% over fiscal year 1998. The strong growth in business taxes can be primarily attributed to significant merger and acquisition activity that led to increased taxable business gains and resulting higher taxable profits under the state's business profits tax. The insurance, communications, real estate transfer, and estate and legacy taxes all grew significantly over the prior year, reflecting increased business activity in the state and the increased value of financial assets nationwide.

	FY 95	FY 96	FY 97	FY 98	FY 99
Business Taxes	\$ 168	\$ 178	\$ 210	\$ 239	\$ 258
Meals and Rooms	108	113	119	129	137
Tobacco	44	45	50	76	74
Liquor	64	66	72	75	77
Interest and Dividends	38	52	53	62	63
Insurance	43	50	57	55	63
Real Estate Transfer	29	30	33	44	53
Estate and Legacy	38	33	41	43	55
Communications	33	36	39	40	46
Other	128	124	126	133	127
Subtotal	693	727	800	896	953
Net Medicaid Enhancement					
Revenues (MER)	117	102	54	68	70
Subtotal	810	829	854	964	1,023
Other MER Transferred to (from)					
Uncompensated Care Pool	153	(10)	43	9	16
Total Unrestricted Revenue	\$ 963	\$ 819	\$ 897	\$ 973	\$ 1,039

Net Appropriations and Other Adjustments

(Budgetary Basis)

Net General Fund appropriations increased modestly over fiscal year 1998. The greatest increases in appropriations requiring a supplemental budget were in the Medicaid program and health insurance for retired state employees. The fiscal year 1999 budget included a 5% salary scale increase for state employees, which increased salary appropriations by \$4.2 million over fiscal year 1998. Net General Fund appropriations for fiscal year 1999 for local school districts remained essentially unchanged over the prior year. The most significant change in net appropriations over 1998 was the distribution to cities and towns generated from the meals and rooms tax increasing to \$17.4 million, compared to \$12.4 million in fiscal year 1998.



Lapses of General Fund appropriations were greater in fiscal year 1999 than in previous years for several reasons. The budget continued the 120-day hiring delay for general funded positions. The savings from the delay were \$1 million in fiscal year 1999. The low unemployment rate coupled with high turnover in salaried positions increased the recruiting period and contributed to savings in salaries. Also, the state realized the savings in benefit expenditures due to a competitively bid health insurance contract. Additionally, the Department of Health and Human Services was able to maximize federal participation in support of various programs at amounts greater than the assumed budgetary rate.

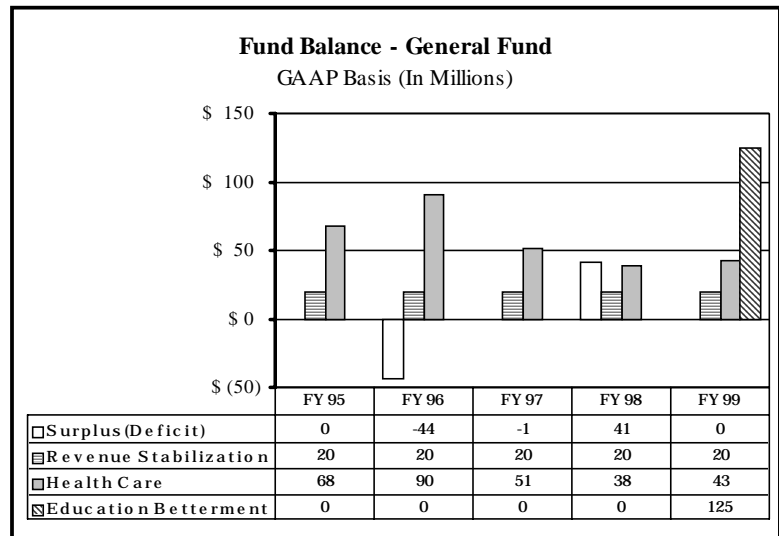
Offsetting the large lapses were the following negative adjustments to General Fund surplus:

- An adjustment was made to eliminate \$7.3 million in bond authorizations. Some of these unissued authorizations have been carried on the books for over 20 years. While the corresponding appropriations had been reduced, the bond authorizations had not been adjusted.
- Expenditures funded by health care funds exceeded interest earned by \$3.6 million.

Finally, Sweepstakes revenues in fiscal year 1999 totaled \$64.6 million, which was an \$8.6 million increase over budget. This amount was transferred to General Fund surplus and subsequently reserved in the local education betterment account.

General Fund Surplus Summary

The combination of strong revenues, spending controls, and the adjustments described above resulted in a current year General Fund surplus of \$88.7 million and a cumulative surplus balance of \$130.1 million. The entire surplus has been transferred to the Health Care Fund and the Education Betterment Fund. Pursuant to Chapter 351, Laws of 1997, \$5.3 million of Medicaid revenues collected in excess of estimates were transferred to the Health Care Fund, bringing the balance in the fund to \$43.5 million. The Revenue Stabilization Fund remained at \$20.0 million. The remaining General Fund balance of \$124.8 million was transferred to the Education Betterment Fund. This fund was created to reserve funds to distribute for adequate education grants to schools in fiscal year 2000.



Five Year Summary of General Fund Revenues and Expenditures GAAP Basis (in millions)

	FY 1995	FY 1996	FY 1997	FY 1998	FY 1999
Revenues and Transfers In	\$ 1,224	\$ 1,102	\$ 1,199	\$ 1,278	\$ 1,360
Expenditures and Transfers Out	1,274	1,131	1,187	1,241	1,272
Revenues over (under) Expenditures	\$ (50)	\$ (29)	\$ 12	\$ 37	\$ 88

Claremont Education Lawsuit

As described in Note 15, the state has been involved in ongoing litigation initiated by five school districts who challenged the constitutionality of the state's statutory system of financing the operation of elementary and secondary public school systems through local property taxes. On December 17, 1997, the New Hampshire Supreme Court ruled that property taxes in support of public education are state taxes and that such taxes must be proportional and reasonable throughout the state. Further the court held that a constitutionally adequate public education is a fundamental right.

In response to the lawsuit, the state passed Chapter 17, Laws of 1999, which established methods to determine the per pupil adequacy cost, which is estimated to be approximately \$827 million for fiscal year 2000. Chapter 17, as amended, provided funding from various sources but significant shortfalls are expected beginning in fiscal year 2001. While operating with limited reserves, these changes to the revenue structure and some uncertainty over the timing of the collections of the economy-sensitive business taxes will put additional pressure on cash flow and General Fund surplus.

General Governmental Operations

The general governmental operations of the state are recorded in the General Fund and the special revenue funds. These funds capture the normal recurring activities of the state. The special revenue funds include the Highway Fund, the Fish and Game Fund, and the Special Fund (primarily used to account for major federal grants).

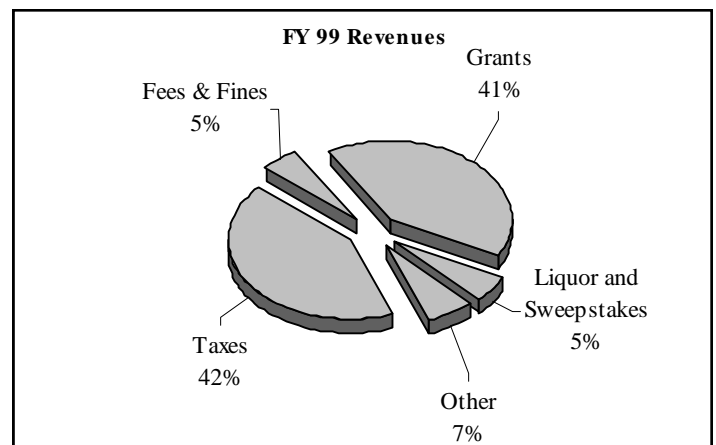
Revenues

The following table summarizes the revenues for the general governmental operations of the state. The General Fund transfers from enterprise funds (Liquor Commission and Sweepstakes Commission) are included as revenues for this analysis since these proceeds are used to finance the general governmental operations of the state (expressed in millions).

Revenues	FY 1999 Amount	FY 1998 Amount	Increase (Decrease)	% Increase (Decrease)
Taxes	\$ 1,073	\$ 1,003	\$ 70	7.0 %
Fees and Fines	126	114	12	10.5
Grants from Federal Government	914	822	92	11.2
Grants from Private and Local Sources	116	118	(2)	(1.7)
Sale of Services and Commodities	90	87	3	3.5
Assessments	17	16	1	6.3
Grants from Other Agencies	5	29	(24)	(82.8)
Liquor and Sweepstakes Transfers	133	124	9	7.3
Miscellaneous	61	63	(2)	(3.2)
Total	\$ 2,535	\$ 2,376	\$ 159	6.7 %

Discussion of significant changes:

- Tax collections continued to rise because of the strong economy. The top performers in fiscal year 1999 were the business taxes (Business Profits Tax and Business Enterprise Tax) which, in total, showed a net increase of \$19.3 million over fiscal year 1998. The Estate and Legacy, Real Estate Transfer, and Meals and Rooms Taxes all had large increases that ranged from \$8.6 million to \$11.5 million.
- Grants from Federal Government generally fluctuate in conjunction with the expenditure patterns of the programs for which they provide support. In fiscal year 1999 federal revenues increased in a number of programs which have correlating expenditure increases, such as the nursing home medical grants program. Additionally, federal revenue increased in connection with the expanded highway construction program.
- Fees and Fines rose following an increase in revenue received in the Oil Board Disbursement Fund.
- Grants from Other Agencies decreased primarily due to a reduction of revenues related to interagency transactions that were eliminated in fiscal year 1999.



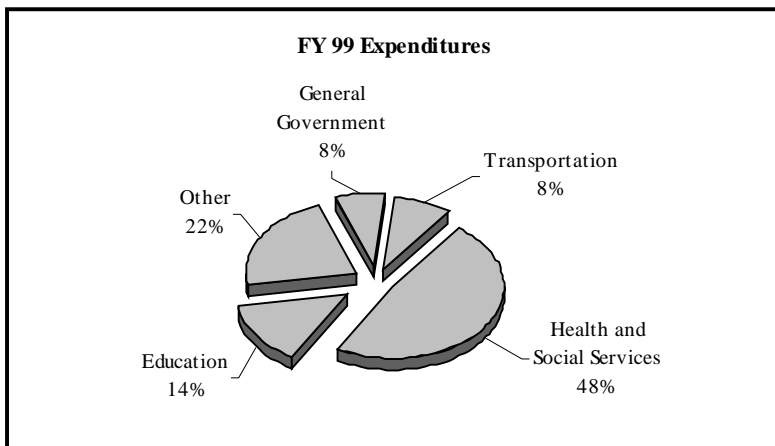
Expenditures

The following table summarizes the expenditures for the general operations of the state. The General Fund transfers to the University System of New Hampshire (USNH) are included as education expenditures for this analysis since they are considered to be activities of the primary government (expressed in millions).

Expenditures	FY 1999 Amount	FY 1998 Amount	Increase (Decrease)	%Increase (Decrease)
General Government	\$ 179	\$ 173	\$ 6	3.5 %
Administration of Justice and Public Protection	193	196	(3)	(1.5)
Resource Protection and Development ...	114	107	7	6.6
Transportation	201	190	11	5.8
Health and Social Services	1,178	1,116	62	5.6
Education	342	326	16	4.9
Debt Service	79	74	5	6.8
Capital Outlay	156	133	23	17.3
Total	\$ 2,442	\$ 2,315	\$ 127	5.5 %

Discussion of significant changes:

- **Health and Social Services** expenditures increased because of Medicaid related expenses. Medicaid related programs include provider payments, nursing services, children services, community mental health, developmentally disabled services, and uncompensated care pool.
- **Education** expenditures increased as a result of increases in special education aid, local education funding, and USNH expenditures.
- **Capital Outlay** expenditures increased because of expenditures related to the Department of Transportation. The department has increased spending by approximately \$12.7 million for the interstate highway program, and \$3.6 million in equipment.



Enterprise Funds

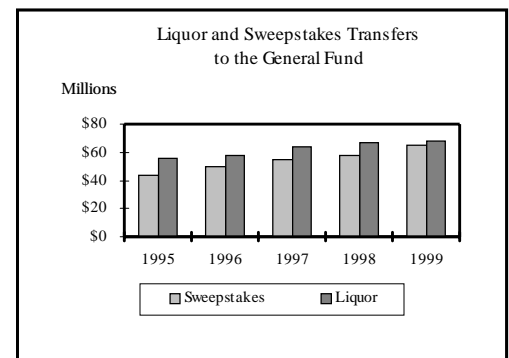
The state's enterprise funds account for the self-supporting activities of state governmental units which render services on a user-charge basis to the general public. These funds account for the activities of the Liquor Commission, the Sweepstakes Commission, and the Turnpike System.

Net proceeds from operations of the Liquor Commission are transferred to the General Fund and are used to fund the general operations of the state. Increases in Liquor Commission profits resulted from successful marketing strategies for wine that have included discounts on case lots and specific promotional campaigns. Profits have also increased by aggressively controlling operating and overhead costs. The transfer from the Liquor Fund to the General Fund in fiscal year 1999 equaled \$68.3 million, a \$1.5 million increase over fiscal year 1998.

Net proceeds from operations of the Sweepstakes Commission are also transferred to the General Fund and are subsequently disbursed by the Department of Education to local school districts throughout the state in accordance with a formula established by law. Increases in Sweepstakes revenue were linked to two major Powerball jackpots during fiscal year 1999, and the growth and popularity of the Instant Games. The transfer from the Sweepstakes Fund to the General Fund in fiscal year 1999 equaled \$64.6 million, a \$7.1 million increase over fiscal year 1998.

The New Hampshire Turnpike System operates a self-supporting toll road which presently consists of approximately 94 miles of limited access highway, 37 miles of which are part of the U.S. Interstate Highway System. All revenues derived by the Turnpike System are used for operations, maintenance and repair, and the timely payment of principal and interest on debt.

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Budgetary Process

The state budget is prepared on a biennial basis. Prior to the start of each biennium, all departments of the state are required by law to transmit to the commissioner of the Department of Administrative Services requests for capital and operating expenses and estimates for revenue for the ensuing biennium. Following public hearings and consultation with various department heads, the Governor prepares a recommended budget. The budget is forwarded to the Legislature by February 15th of the odd year for consideration. The Legislature performs its review of the proposed budget and can make further adjustments. The budget passed by the Legislature is forwarded to the Governor to be enacted into law or to be vetoed.

The legal level of budgetary control is at the department level. All departments are authorized to transfer appropriations within their departments with prior approval from the Legislative Fiscal Committee and the Executive Council.

Internal Controls

Major fiscal responsibilities within the state are segregated among the following officials:

- **Department of Administrative Services** - The commissioner of Administrative Services, the assistant commissioner/budget officer and the comptroller are responsible for enforcing financial policy guidelines, developing the executive budget, collecting financial data from individual agencies, developing and reviewing appropriation control procedures, and compiling agency financial information.

- **Legislative Budget Assistant (LBA)** - The LBA, appointed by the Fiscal Committee, is responsible for ensuring that an annual audit is conducted of the state's general purpose financial statements prepared by the Department of Administrative Services. The LBA also provides staff assistance to the finance committees of the state Legislature. The LBA Audit Division performs various financial, compliance, and performance audits of state agencies.

- **State Treasurer** - The state treasurer, elected by the Legislature, is responsible for executing policy for the management of the state treasury and depositing and investing state funds as well as the issuing of general obligation and revenue bonds.

- **State Agencies** - Agency commissioners and directors are responsible for administering their agencies, in accordance with legislative and executive directives, to effectively service the citizens of the state.

Financial transactions for the various state agencies are recorded in the New Hampshire Integrated Financial System (NHIFS). The state's centralized accounting system and other accounting procedures were designed to provide various controls to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use and the proper recording of financial transactions. The Department of Administrative Services prepared the Internal Controls Tool Kit to further educate agency personnel in the importance of maintaining an effective internal control structure.

Component Units

The state's financial reporting entity consists of the primary government, composed of the funds and departments or agencies of the state, and five discretely presented component units. Component units are organizations which are legally separate from the state, but for which the state is deemed "financially accountable" under the various criteria set forth in GASB Statement No. 14. The Business Finance Authority, the Pease Development Authority, the University System of New Hampshire, the New Hampshire Retirement System, and the Community Development Finance Authority are the five component units whose financial statements have been discretely presented in the state's CAFR for the year ended June 30, 1999.

Cash and Investments

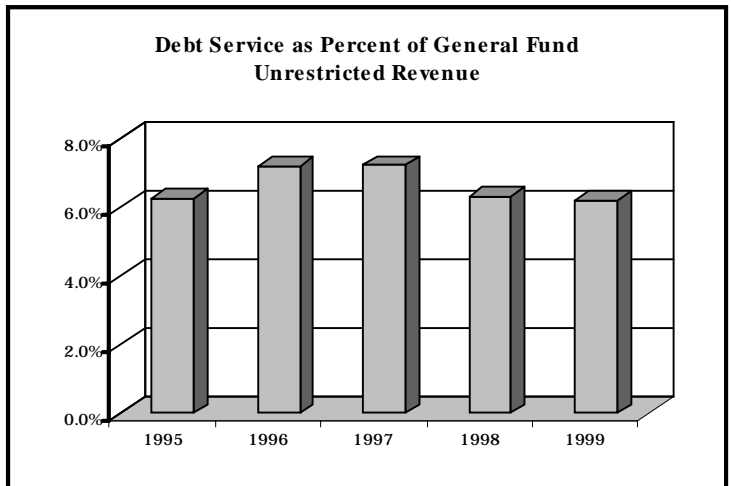
Cash deposits into the state treasury are coordinated jointly by the state treasurer and the state agencies. Cash is managed in pooled investment funds in order to maximize interest earnings. Investments are made in accordance with state statutes. Cash is primarily invested in United States Treasury and agency obligations and certificates of deposit. For the fiscal year ended June 30, 1999, the average daily balance of pooled investment funds was estimated at \$370.1 million, with an average yield of 5.6%. Total investment income was \$20.8 million for the year.

Debt

The state may issue general obligation bonds, revenue bonds, and notes in anticipation of such bonds authorized by the Legislature and Governor and Council. The state may also directly guarantee certain authority or political subdivision obligations. The state has entered into lease-purchase agreements, but they are not material in the aggregate. At year-end, the state's general obligation bonds were rated AA+ by Standard and Poor's Corporation, Aa2 by Moody's Investors Service, and AA+ by Fitch IBCA. The state had approximately \$645.9 million in general obligation bonds and \$344.6 million of Turnpike revenue bonds outstanding at year-end (net of unamortized discount).

The state had three bond issues in fiscal year 1999. On December 1, 1998, the state issued general obligation capital improvement bonds in the amount of \$75 million. Also on December 1, 1998, the state issued \$105.3 million of general obligation refunding bonds. On February 1, 1999, the state issued \$96.8 million of Turnpike Revenue Bonds that included \$6.8 million of refunding bonds.

The state does not have any debt limitations, except for contingent debt guarantees which are detailed in the Notes to the General Purpose Financial Statements.



Insurance

Historically, the state has assumed the risk for fire, property, and general liability purposes, except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial to the general public. Commercial insurance is purchased by the state to cover such things as fleet automobile, watercraft and aircraft liability, ski area operations to protect the state from liabilities resulting from the state run facility, and a faithful performance position schedule bond to protect against dishonest acts of employees.

Prior to July 1985, the state relied on the doctrine of sovereign immunity. Subsequently, legislation became effective creating the statute "Claims Against the State" in which sovereign immunity was waived to certain limits and would allow certain types of actions and claims to be brought against the state. The limits set by the statute are the basis for risk management programs.

GASB Statements

The Governmental Accounting Standards Board (GASB) periodically issues statements establishing governmental accounting and financial reporting principles. To remain in conformity with generally accepted accounting principles (GAAP), the state is required to implement these statements within the time frames established by GASB. During fiscal year 1999, the state implemented Statement No. 32 - "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans".

OTHER INFORMATION

Audits

Pursuant to RSA 21-I:8,I(h), the Legislative Budget Assistant may designate a certified public accountant not employed in state service to conduct an annual audit, in accordance with Generally Accepted Auditing Standards, of the state's general purpose financial statements. KPMG LLP, the designated certified public accountant, has performed an independent audit of the state's financial statements for the fiscal year ended June 30, 1999.

In order to comply with the Single Audit Act of 1984, the Legislative Budget Assistant also contracts for a single audit of the state as a whole, which will include a legal compliance report on all federal funds received by the state. This report (including a Schedule of Expenditures of Federal Awards received by the state and comments on internal accounting controls and compliance with laws, rules and regulations) will be published separately.

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Certificate of Achievement

The Government Finance Officers Association of the United States of America and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of New Hampshire for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1998. This was the second consecutive year that the state received this prestigious award.

In order to be awarded a certificate of achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. We believe our current report continues to comply with the program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

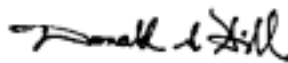
Annual Report to the Citizens

The Department of Administrative Services published a new report this year called the *Annual Report to the Citizens*. That report presents a simplified version of the financial information contained in the CAFR, as well as an overview of state operations and other nonfinancial data. A copy of the report may be obtained from the Department of Administrative Services, 25 Capitol St. Rm 413, Concord NH 03301, or from the department's web site at <http://www.state.nh.us/das/accounting/reports.htm>.

Acknowledgements

In submitting this report, I acknowledge the cooperation and assistance of all the state agencies and the dedication of the employees of the Department of Administrative Services.

Respectfully submitted,



Donald S. Hill, Commissioner

Certificate of Achievement for Excellence in Financial Reporting

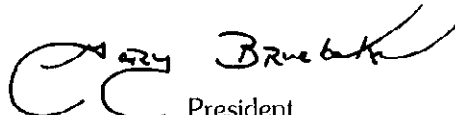
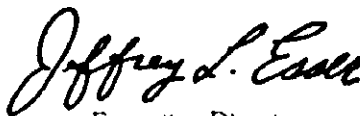
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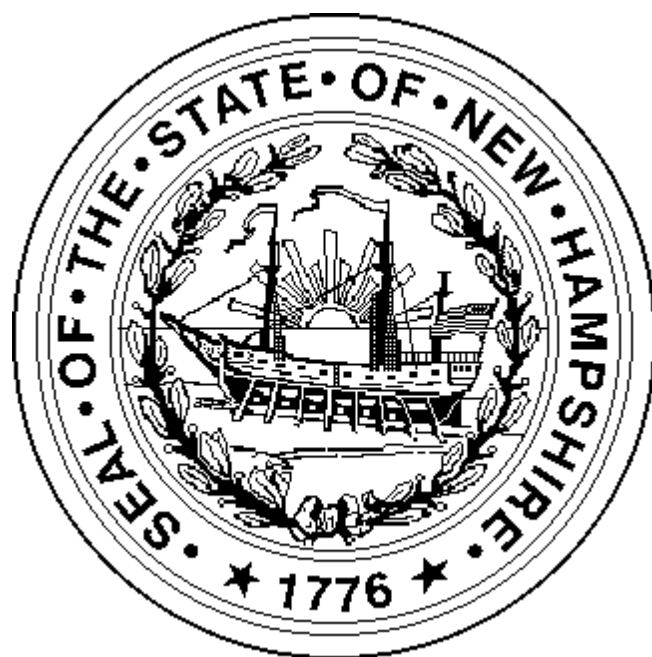
State of
New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 1998

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.




President

Executive Director



Financials



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INDEPENDENT AUDITORS' REPORT

To the Fiscal Committee of the General Court
State of New Hampshire
Concord, New Hampshire

We have audited the accompanying general purpose financial statements of the State of New Hampshire as of and for the year ended June 30, 1999. These general purpose financial statements are the responsibility of the State of New Hampshire's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit any of the financial statements of component units except the New Hampshire Retirement System which represents 86% of the Component Unit assets on page 21 and 100% of the Pension Trust fund on page 28. In addition, we did not audit the financial statements of the New Hampshire Public Deposit Investment Pool which comprises 37% of Fiduciary Fund Type assets on page 21 and 100% of the Investment Trust fund on page 28. The entities we did not audit were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to data included for those entities, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State of New Hampshire as of June 30, 1999, and the results of its operations, and cash flows of its proprietary fund types, nonexpendable trust funds, and discretely presented component units for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining financial statements and schedules as listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State of New Hampshire. Such information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

To the Fiscal Committee of the General Court
State of New Hampshire
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The Required Supplementary Information on page 50 is not a required part of the general purpose financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the State is or will become Year 2000 compliant, that Year 2000 remediation efforts of the State will be successful in whole or in part, or that parties with which the State does business are or will become Year 2000 compliant.

As described in note 11, the State of New Hampshire implemented Governmental Accounting Standards Board Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* during fiscal year 1999.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 1, 1999, on our consideration of the State of New Hampshire's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts and grants.

We did not audit the data included in the introductory and statistical sections of this report and, accordingly, express no opinion thereon.

KPMG LLP

December 1, 1999

**COMBINED BALANCE SHEET ALL FUND TYPES, ACCOUNT GROUPS, AND
DISCRETELY PRESENTED COMPONENT UNITS
JUNE 30, 1999
(Expressed in Thousands)**

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE
<u>ASSETS AND OTHER DEBITS</u>	General	Special Revenue	Capital Projects	Enterprise
Cash and Cash Equivalents (Note 3)	\$ 208,565	\$ 126,410		\$ 21,351
Investments (Note 3)	5,545			
Receivables (Net of Allowances for Uncollectibles) (Note 4)	82,864	196,399	\$ 1,070	6,433
Due from Other Funds (Note 8)	27,592	27,488		8,358
Due from Component Units (Note 8)	58,385	5,935		
Inventories	6,080	8,907		18,949
Other Assets	101			2
Loans and Notes Receivable (Note 4)		105,445		
Restricted Assets:				
Cash and Cash Equivalents (Note 3)				2,887
Investments (Note 3)	45,057			104,404
Due from Primary Government (Note 8)				
Receivables (Note 4)	294			
Deferred Charges				3,417
Fixed Assets (Net of Accumulated Depreciation) (Note 5)				506,985
Amounts to be Provided in Future Years (Note 6)				
Total Assets and Other Debits	\$ 434,483	\$ 470,584	\$ 1,070	\$ 672,786
<u>LIABILITIES, FUND EQUITY AND OTHER CREDITS</u>				
LIABILITIES:				
Accounts Payable	\$ 60,826	\$ 111,513	\$ 9,698	\$ 29,149
Accrued Payroll	20,604	9,886		1,729
Due to Other Funds (Note 8)	35,960	12,209	6,804	8,579
Due to Primary Government (Note 8)				
Due to Component Units (Note 8)				
Deferred Revenue (Notes 4 and 8)	73,606	140,945	793	2,754
Unclaimed Property and Prizes	4,273			5,442
Other Liabilities	204			259
Custodial Funds Payable				
General Obligation Bonds Payable - Current (Note 6)				4,173
Liabilities Payable from Restricted Assets				12,160
General Obligation Bonds Payable - Non-current (Note 6)				30,413
Revenue Bonds Payable (Net of Unamortized Discount) (Note 6)				337,931
Compensated Absences and Accrued Employee Benefits (Note 6)				4,294
Long-term Debt (Note 6)				
Total Liabilities	195,473	274,553	17,295	436,883
FUND EQUITY AND OTHER CREDITS:				
Investment in General Fixed Assets				
Contributions from Other Funds				13,584
Contributed Capital (Net of Amortization) (Note 10)				36,111
Retained Earnings				186,208
Fund Equity Component Units				
Fund Balances:				
Reserved for Unemployment Compensation Benefits				
Reserved for Various Trust Funds				
Reserved for External Investment Pool Participants				
Reserved for Encumbrances	14,149	190,226	41,110	
Reserved for Long-term Assets	2,000			
Reserved for Inventories	6,080	4,704		
Reserved for Unexpended Appropriations	28,561	17,154	55,326	
Reserved for Revenue Stabilization	19,975			
Reserved for Health Care Fund	43,462			
Reserved for Local Education Betterment Fund	124,783			
Unreserved, Undesignated (Deficit) (Note 9)		(16,053)	(112,661)	
Total Fund Equity(Deficit) and Other Credits	239,010	196,031	(16,225)	235,903
Total Liabilities, Fund Equity, and Other Credits	\$ 434,483	\$ 470,584	\$ 1,070	\$ 672,786

The notes to the financial statements are an integral part of this statement.

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		Totals (Memorandum Only)		Totals (Memorandum Only)	
	Trust and Agency	General Fixed Assets	General Long-Term Debt	Primary Government	Component Units	Reporting Entity
\$	9,671			\$ 365,997	\$ 526,073	\$ 892,070
	688,111			693,656	4,673,003	5,366,659
	7,331			294,097	54,040	348,137
	193			63,631		63,631
				64,320		64,320
	74			34,010		34,010
				103	20,853	20,956
				105,445	23,644	129,089
				2,887	8,852	11,739
				149,461	9,841	159,302
					323	323
				294	13,834	14,128
				3,417		3,417
	\$ 603,993			1,110,978	419,650	1,530,628
		\$ 672,278		672,278		672,278
\$	705,380	\$ 603,993	\$ 672,278	\$ 3,560,574	\$ 5,750,113	\$ 9,310,687
				\$ 211,186	\$ 20,824	\$ 232,010
				32,219	9,115	41,334
\$	79			63,631		63,631
					64,320	64,320
	323			323		323
				218,098	16,550	234,648
				9,715		9,715
	4,557			5,020	681,196	686,216
	116,064			116,064		116,064
				4,173	900	5,073
				12,160	10,225	22,385
		\$ 611,321		641,734	20,651	662,385
				337,931		337,931
		60,957		65,251	56,599	121,850
					96,630	96,630
	121,023		672,278	1,717,505	977,010	2,694,515
	\$ 603,993			603,993		603,993
				13,584		13,584
				36,111		36,111
				186,208		186,208
					4,773,103	4,773,103
	304,306			304,306		304,306
	19,273			19,273		19,273
	260,778			260,778		260,778
				245,485		245,485
				2,000		2,000
				10,784		10,784
				101,041		101,041
				19,975		19,975
				43,462		43,462
				124,783		124,783
				(128,714)		(128,714)
	584,357	603,993		1,843,069	4,773,103	6,616,172
\$	705,380	\$ 603,993	\$ 672,278	\$ 3,560,574	\$ 5,750,113	\$ 9,310,687

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPE	Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trusts	
REVENUES:					
General Property Taxes	\$ 535				\$ 535
Special Taxes	671,300	\$ 55,098			726,398
Personal Taxes	73,765				73,765
Business License Taxes	74,900	134,570			209,470
Non-Business License Taxes	5,107	57,710		\$ 35,766	98,583
Fees	60,336	39,394			99,730
Fines, Penalties, and Interest	25,126	1,756			26,882
Grants from Federal Government	146,211	768,066	\$ 8,889		923,166
Grants from Private and Local Sources	22,762	93,392	78		116,232
Rents and Leases	1,553				1,553
Interest, Premiums, and Discounts	5,601	9,767	889	19,588	35,845
Sale of Commodities	3,449	6,377	18		9,844
Sale of Services	72,623	7,387			80,010
Assessments	13,784	2,987			16,771
Grants from Other Agencies	2,851	1,785			4,636
Miscellaneous	27,954	16,083		854	44,891
Total Revenues	1,207,857	1,194,372	9,874	56,208	2,468,311
EXPENDITURES:					
Current:					
General Government	145,668	32,862			178,530
Administration of Justice and Public Protection	152,262	41,029			193,291
Resource Protection and Development	42,078	72,121			114,199
Transportation	5,031	196,108			201,139
Health and Social Services	374,461	803,629		41,190	1,219,280
Education	171,746	102,551			274,297
Debt Service	70,716	8,014			78,730
Capital Outlay	15,829	139,834	62,449		218,112
Total Expenditures	977,791	1,396,148	62,449	41,190	2,477,578
Excess (Deficiency) of Revenues Over (Under) Expenditures	230,066	(201,776)	(52,575)	15,018	(9,267)
OTHER FINANCING SOURCES (USES):					
Operating Transfers In	19,790	218,096	8,209		246,095
Operating Transfers from Enterprise Funds	132,829				132,829
Operating Transfers Out	(225,563)	(18,938)	(1,594)		(246,095)
Operating Transfers to Component Units	(68,540)		(2,717)		(71,257)
Proceeds from Issuance of Bonds			75,000		75,000
Proceeds from Refunding Bonds	103,351				103,351
Payments to Refunding Bond Escrow Agent	(103,351)				(103,351)
Other Financing (Uses)	(334)	(444)			(778)
Total Other Financing Sources (Uses)	(141,818)	198,714	78,898		135,794
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	88,248	(3,062)	26,323	15,018	126,527
Fund Balances (Deficit) - July 1	150,762	199,093	(42,548)	293,676	600,983
Fund Balances (Deficit) - June 30	\$ 239,010	\$ 196,031	\$ (16,225)	\$ 308,694	\$ 727,510

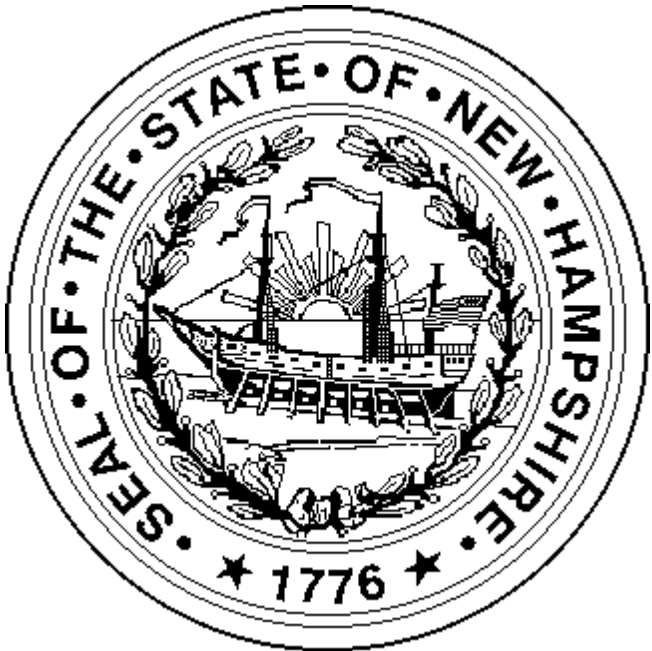
The notes to the financial statements are an integral part of this statement.

**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - GENERAL AND SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	General			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
REVENUES:						
General Property Taxes	\$ 450	\$ 535	\$ 85			
Special Taxes	613,447	670,784	57,337	\$ 55,100	\$ 55,098	\$ (2)
Personal Taxes	72,659	73,765	1,106			
Business License Taxes	68,522	75,642	7,120	131,389	134,570	3,181
Non-Business License Taxes	4,974	5,209	235	56,714	57,710	996
Fees	62,144	60,516	(1,628)	39,712	40,042	330
Fines, Penalties, and Interest	25,340	25,233	(107)	2,536	1,779	(757)
Grants from Federal Government	156,177	154,481	(1,696)	795,581	712,020	(83,561)
Grants from Private and Local Sources	25,531	23,730	(1,801)	92,818	125,897	33,079
Rents and Leases	5,118	5,009	(109)	34	196	162
Interest, Premiums, and Discounts	3,543	3,826	283	9,039	10,484	1,445
Sale of Commodities	1,109	3,404	2,295	6,434	6,741	307
Sale of Services	69,802	71,898	2,096	21,843	18,798	(3,045)
Assessments	20,041	17,109	(2,932)	2,999	2,973	(26)
Grants from Other Agencies	75,084	68,015	(7,069)	9,422	8,596	(826)
Miscellaneous	72,146	83,846	11,700	23,775	21,428	(2,347)
Total Revenue	1,276,087	1,343,002	66,915	1,247,396	1,196,332	(51,064)
EXPENDITURES:						
General Government	241,440	225,653	15,787	41,125	32,000	9,125
Administration of Justice and Public Protection	223,280	208,090	15,190	55,687	46,371	9,316
Resource Protection and Development	50,992	44,991	6,001	118,494	86,735	31,759
Transportation	12,381	5,913	6,468	352,351	341,860	10,491
Health and Human Services	387,616	375,152	12,464	799,458	743,666	55,792
Education	250,020	244,650	5,370	121,670	96,963	24,707
Total Expenditures	1,165,729	1,104,449	61,280	1,488,785	1,347,595	141,190
Excess (Deficiency) of Revenues Over (Under) Expenditures	110,358	238,553	128,195	(241,389)	(151,263)	90,126
Other Financing Sources (Uses):						
Operating Transfers In	88,155	88,155		216,735	216,735	
Operating Transfers Out	(224,201)	(224,201)		(18,938)	(18,938)	
Total Other Financing Sources (Uses)	(136,046)	(136,046)		197,797	197,797	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(25,688)	\$ 102,507	\$ 128,195	(43,592)	\$ 46,534	\$ 90,126
Other Budget Items:						
Transfers from Available Funds				16,844		
Budget Lapses	25,688			26,748		
Net Budget	\$ -0-			\$ -0-		

The notes to the financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS OR FUND BALANCES PROPRIETARY FUND TYPE, NONEXPENDABLE TRUST FUNDS, AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity
	Enterprise	Non- Expendable Trusts			
OPERATING REVENUES:					
Charges for Sales and Services	\$ 522,977		\$ 522,977	\$ 9,902	\$ 532,879
Contributions		\$ 4,538	4,538		4,538
Earnings on Investments		516	516	1,193	1,709
Other		915	915	180	1,095
Total Operating Revenues	522,977	5,969	528,946	11,275	540,221
OPERATING EXPENSES:					
Cost of Sales	308,089		308,089		308,089
Personnel Services	21,188		21,188	2,913	24,101
Supplies and Materials	992		992		992
Communication Services	403		403		403
Travel	165		165		165
Printing and Binding	1,584		1,584		1,584
Advertising	2,558		2,558	462	3,020
Commissions	14,926		14,926		14,926
Heat, Light, and Power	1,714		1,714		1,714
Rent	1,835		1,835		1,835
Repairs	5,378		5,378		5,378
Payroll Benefits	6,234		6,234		6,234
Indirect Costs	1,123		1,123		1,123
Enforcement	3,460		3,460		3,460
Payments to Beneficiaries and Refunds		4,835	4,835		4,835
Miscellaneous	2,012	47	2,059	5,060	7,119
Depreciation	10,271		10,271	3,123	13,394
Total Operating Expenses	381,932	4,882	386,814	11,558	398,372
Operating Income (Loss)	141,045	1,087	142,132	(283)	141,849
NONOPERATING REVENUES (EXPENSES):					
Licenses	2,976		2,976		2,976
Beer Taxes	11,564		11,564		11,564
Investment Income	3,381		3,381	1,788	5,169
Miscellaneous	1,237		1,237	(587)	650
Interest on Bonds	(13,013)		(13,013)	(1,667)	(14,680)
Amortization of Bond Issuance Costs	(350)		(350)		(350)
Total Nonoperating Revenues (Expenses)	5,795		5,795	(466)	5,329
Income (Loss) Before Operating Transfers	146,840	1,087	147,927	(749)	147,178
OPERATING TRANSFERS:					
To General Fund	(132,829)		(132,829)		(132,829)
Net Income (Loss)	14,011	1,087	15,098	(749)	14,349
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction Reducing Contributed Capital	807		807	1,405	2,212
Increase in Retained Earnings or Fund Balances	14,818	1,087	15,905	656	16,561
Retained Earnings (Deficit) or Fund Balances - July 1	171,390	13,798	185,188	(3,366)	181,822
Retained Earnings (Deficit) or Fund Balances - June 30	\$ 186,208	\$ 14,885	\$ 201,093	\$ (2,710)	\$ 198,383

The notes to the financial statements are an integral part of this statement.

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**COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE, NONEXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only)		Totals (Memorandum Only)
	Enterprise	Non- Expendable Trusts	Primary Government	Component Units	Reporting Entity
Cash Flows from Operating Activities:					
Operating Income (Loss)	\$ 141,045	\$ 1,087	\$ 142,132	\$ (283)	\$ 141,849
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:					
Depreciation	10,271		10,271	3,123	13,394
Amortization of Bond Issuance Costs	350		350		350
Change in Operating Assets and Liabilities:					
Decrease in Receivables	(528)		(528)	2,021	1,493
Decrease in Inventories	1,952		1,952		1,952
(Increase) in Notes Receivable				(2,508)	(2,508)
Decrease in Other Assets				6	6
Increase (Decrease) in Accounts Payable and Other Accruals	9,159	9	9,168	(4,656)	4,512
(Decrease) in Deferred Revenue	(14)		(14)	(338)	(352)
Net Cash Provided by (Used For) Operating Activities	162,235	1,096	163,331	(2,635)	160,696
Cash Flows from Noncapital Financing Activities:					
Transfers to Other Funds	(138,020)		(138,020)		(138,020)
Proceeds from Collection of Licenses, Fees, and Beer Taxes	14,540		14,540		14,540
Interest Paid on Bonds				(1,667)	(1,667)
Principal Paid on Bonds				(800)	(800)
Net Cash (Used for) Noncapital Financing Activities	(123,480)		(123,480)	(2,467)	(125,947)
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Capital Assets	(32,959)		(32,959)	(6,345)	(39,304)
Proceeds from Bond Issues	94,626		94,626		94,626
Repayments to Tenant				(26)	(26)
Increase in Contributed Capital	333		333	6,897	7,230
Repayments to Primary Government				(1,075)	(1,075)
Proceeds from Loans				(70)	(70)
Equipment Lease Principal Payments				513	513
Interest Paid on Revenue and General Obligation Bonds	(18,550)		(18,550)		(18,550)
Principal Paid on Revenue and General Obligation Bonds	(11,098)		(11,098)		(11,098)
Defeasance of Revenue Bonds	(6,495)		(6,495)		(6,495)
Contributions from Other Funds	1,108		1,108		1,108
Net Cash Provided by (Used for) Capital and Related Financing Activities	26,965		26,965	(106)	26,859

Continued. . .

**COMBINED STATEMENT OF CASH FLOWS PROPRIETARY FUND TYPE, NONEXPENDABLE TRUST FUNDS,
AND DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	Totals (Memorandum Only) Primary Government	Component Units	Totals (Memorandum Only) Reporting Entity
	Enterprise	Non- Expendable Trusts			
Cash Flows from Investing Activities:					
Purchase of Investments	(98,101)	(1,025)	(99,126)	5,910	(93,216)
Proceeds from Maturities of Investments	25,197	(615)	24,582		24,582
Interest and Other Income	7,041		7,041	1,456	8,497
Net Cash Provided By (Used for) Investing Activities	(65,863)	(1,640)	(67,503)	7,366	(60,137)
Net Increase (Decrease) in Cash and Cash Equivalents	(143)	(544)	(687)	2,158	1,471
Cash and Cash Equivalents - July 1	24,381	1,340	25,721	13,240	38,961
Cash and Cash Equivalents - June 30	\$ 24,238	\$ 796	\$ 25,034	\$ 15,398	\$ 40,432

Reconciliation of Cash and Cash Equivalents to the Combined Balance Sheet:

Cash and Cash Equivalents for the Nonexpendable Trust Funds and the Component Units as of June 30, 1999, on the Combined Statement of Cash Flows are reconciled to the Cash and Cash Equivalents on the Combined Balance Sheet as follows:

**Cash and Cash Equivalents June 30, 1999:
(Expressed in Thousands)**

Fiduciary Fund Type:

Nonexpendable Trust Funds	\$ 796
Expendable Trust Funds	895
Agency Funds	7,980
Total Fiduciary Fund Type	\$ 9,671

Component Units:

College and University Funds	\$ 64,478
Pension Trust Funds	455,049
Proprietary Funds Unrestricted	6,546
Total Component Units Unrestricted	526,073
Proprietary Funds Restricted	8,852
Total Component Units	\$ 534,925

**COMBINED STATEMENT OF CHANGES IN NET ASSETS
INVESTMENT TRUST AND PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

ADDITIONS:**Contributions:**

Employer Normal and Accrued Liability.....
State Contributions on Behalf of Local Employers.....

Total Employer Contributions

Plan Members.....
Participant Contributions.....
Post Retirement Medical Plan Contributions on Behalf of
Employers.....

Total Contributions

Investment Income:

Net Appreciation in Fair Value of Investments.....
Interest.....
Dividends.....
Timberfund Income (Loss).....
Alternative Investment Income.....
Commercial Real Estate Operating Income.....

Total Income from Investment Activities.....

Less Investment Expenses:

Investment Management Fees.....
Commercial Real Estate Operating Expense.....
Custodial Fees.....
Investment Advisor Fees.....

Total Investment Activity Expenses

Net Income from Investment Activities

From Securities Lending Activities:

Security Lending Income.....
Less: Security Lending Borrower Rebates.....
Less: Security Lending Management Fees.....

Net Income from Securities Lending Activities

Total Net Investment Income

Administrative Assessment.....
Other.....

Total Additions

DEDUCTIONS:

Benefits.....
Withdrawals and Distributions.....
Refunds of Contributions.....
Administrative Expense.....
Post Retirement Medical Plan Contributions to Pension
Plan on Behalf of Employers.....
Professional Fees.....
Other.....

Total Deductions.....

Net Increase

NET ASSETS HELD IN TRUST:

Beginning of the Year.....

End of the Year

Primary Government Investment Trust	Component Units Pension Trust	Totals (Memorandum Only) Reporting Entity
	\$	\$
	49,081	49,081
	12,261	12,261
	61,342	61,342
	81,566	81,566
\$ 577,157		577,157
	3,159	3,159
577,157	146,067	723,224
107	407,623	407,730
13,611	58,215	71,826
	33,061	33,061
	(614)	(614)
	2,175	2,175
	56,604	56,604
13,718	557,064	570,782
	21,391	21,391
	29,356	29,356
	931	931
	581	581
	52,259	52,259
13,718	504,805	518,523
	24,694	24,694
	22,293	22,293
	720	720
	1,681	1,681
13,718	506,486	520,204
	4,351	4,351
	226	226
590,875	657,130	1,248,005
	161,583	161,583
570,716		570,716
	17,411	17,411
	3,367	3,367
	3,159	3,159
	627	627
	216	216
570,716	186,363	757,079
20,159	470,767	490,926
240,619	3,806,452	4,047,071
\$ 260,778	\$ 4,277,219	\$ 4,537,997

The notes to the financial statements are an integral part of this statement.

COMBINED STATEMENT OF CHANGES IN FUND BALANCES
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds	Totals
	Unrestricted	Restricted				
REVENUES AND OTHER ADDITIONS:						
Unrestricted Current Funds Revenues.....	\$ 287,279					\$ 287,279
Federal Appropriations - Restricted.....		\$ 3,253				3,253
Government Grants and Contracts - Restricted.....		50,081	\$ 322		\$ 843	51,246
Private Gifts and Grants - Restricted.....		13,191		\$ 16,422	76	29,689
Endowment Income - Other than Unrestricted.....		2,892	3	2,320		5,215
Investment Income - Other than Unrestricted.....		19	4	176	53	252
Gain on Investments.....				7,672		7,672
Interest on Loans Receivable.....			457			457
Current Funds Equipment Expenditures.....					10,416	10,416
Other Additions, Net.....			24		3,065	3,089
Total Revenues and Other Additions.....	287,279	69,436	810	26,590	14,453	398,568
EXPENDITURES AND OTHER DEDUCTIONS:						
Current Funds Expenditures.....	325,780	69,252				395,032
Administrative and Collection Costs.....			312	2,340	193	2,845
Noncapitalized Plant Expenditures.....					3,807	3,807
Interest on Debt.....					6,567	6,567
Depreciation Expense.....					26,031	26,031
Other Deductions, Net.....			55	164		219
Total Expenditures and Other Deductions.....	325,780	69,252	367	2,504	36,598	434,501
TRANSFERS AMONG FUNDS, NET:						
Mandatory Transfers.....	(10,095)		80		10,015	
Optional Transfers:						
Between Current Funds.....	(47)	47				
To (From) Endowment and Similar Funds.....	(824)	3,422	(34)	(2,884)	320	
To (From) Plant Funds.....	(15,392)	(103)			15,495	
Total Transfers Among Funds, Net.....	(26,358)	3,366	46	(2,884)	25,830	
Operating Transfers From Primary Government.....	68,540				2,717	71,257
Net Increase in Fund Balances.....	3,681	3,550	489	21,202	6,402	35,324
Fund Balances - July 1.....	4,824	10,687	21,512	134,874	263,376	435,273
Fund Balances - June 30.....	\$ 8,505	\$ 14,237	\$ 22,001	\$ 156,076	\$ 269,778	\$ 470,597

COMBINED STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES, AND OTHER CHANGES
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Unrestricted	Restricted	Totals
REVENUES:			
Educational and General:			
Tuition and Fees	\$ 160,086		\$ 160,086
Federal Appropriations		\$ 3,141	3,141
Government Grants and Contracts	8,914	49,846	58,760
Private Grants and Contracts	14	10,056	10,070
Private Gifts	4,538	3,930	8,468
Endowment Income	2,223	2,163	4,386
Investment Income	6,866	116	6,982
Sales and Services of Educational Activities	7,039		7,039
Other Sources	6,415		6,415
Total Educational and General	196,095	69,252	265,347
Auxiliary Enterprises	91,184		91,184
Total Revenues	287,279	69,252	356,531
EXPENDITURES AND MANDATORY TRANSFERS:			
Educational and General:			
Instruction	108,360	760	109,120
Research and Sponsored Programs	11,349	45,233	56,582
Public Services	12,741	3,267	16,008
Academic Support	27,191	1,277	28,468
Student Services	18,869	736	19,605
Institutional Support	29,921	174	30,095
Operation and Maintenance of Plant	17,438	20	17,458
Student Financial Aid	25,765	17,785	43,550
Educational and General Expenditures	251,634	69,252	320,886
Mandatory Transfers for:			
Principal and Interest	147		147
Loan Fund Matching Grants	80		80
Total Educational and General	251,861	69,252	321,113
Auxiliary Enterprises:			
Expenditures	74,146		74,146
Mandatory Transfers for Principal and Interest	9,868		9,868
Total Auxiliary Enterprises	84,014		84,014
Total Expenditures and Mandatory Transfers	335,875	69,252	405,127
OTHER CHANGES:			
Excess of Restricted Receipts Over Revenues Utilized		184	184
Optional Transfers	(16,263)	3,366	(12,897)
Operating Transfers from Primary Government	68,540		68,540
Net Increase in Fund Balances	\$ 3,681	\$ 3,550	\$ 7,231

The notes to the financial statements are an integral part of this statement.

Notes to the General Purpose Financial Statements

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

For the Year Ended June 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying general purpose financial statements of the state of New Hampshire (the state) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

A. FINANCIAL REPORTING ENTITY

For financial reporting purposes, the state has included all funds, organizations, account groups, agencies, boards, commissions, and authorities and has considered all potential component units for which the state is financially accountable and other organizations for which the nature and significance of their relationship with the state are such that exclusion would cause the State's financial statements to be misleading or incomplete. The criteria to be considered in determining financial accountability include whether the state, as the primary government, has appointed a voting majority of an organization's governing body and (1) has the ability to impose its will on that organization or (2) there is potential for the organization to provide specific financial benefits to or impose specific financial burdens on the state. Financial accountability also exists if an organization is determined to be fiscally dependent on the primary government, although the primary government does not appoint a voting majority of the organization's governing board.

Once financial accountability has been determined for a potential component unit, that component unit is either blended into the primary government or discretely presented from the primary government. Potential component units that do not meet the financial accountability criteria, but where a voting majority of the governing board is appointed by the state, are deemed to be related organizations. The nature and relationship of the state's component units and related organizations are disclosed in the following section.

Discrete Component Units:

Discrete component units are entities which are legally separate from the state, but for which the state is financially accountable for financial reporting purposes, or whose relationship with the state is such that exclusion would cause the state's financial statements to be misleading or incomplete. The component units columns of the general purpose financial statements include the financial data of these entities. Complete audited financial statements of the individual component units can be obtained from the respective entities.

Business Finance Authority of the state of New Hampshire (Proprietary Fund Type) - The Business Finance Authority (BFA) is a body corporate and politic with a governing board of fourteen members. The board consists of nine members appointed by the Governor with the consent of the Executive Council. The remaining members include two state Representatives, two Senators, and the Treasurer. The state currently guarantees \$67.3 million of outstanding loans and

principal on bonds of the BFA as of June 30, 1999, which creates the potential for the BFA to impose a financial burden on the state.

The Community Development Finance Authority (Proprietary Fund Type) - The Community Development Finance Authority (CDFA) is a body corporate and politic organized as a nonprofit corporation under Revised Statutes Annotated (RSA) 292. The governing board of eleven members is made up of the Commissioner of the Department of Resources and Economic Development or designee and ten public members appointed by the Governor and Executive Council as follows: four representatives of community development corporations or other nonprofit organizations engaged in community development activities, one representative of organized labor, two representatives of small business and the financial community, one representative of employment training programs, and two representatives of private financial institutions. An investment tax credit equal to 75 percent of the contribution made to the CDFA during the contributor's tax year is allowed against certain taxes imposed by the state. In accordance with RSA 162-L:8, the total credits allowed shall not exceed \$2.0 million in any state fiscal year through June 30, 1999. The CDFA has a fiscal year end of December 31.

New Hampshire Retirement System (Pension Trust Fund) - The New Hampshire Retirement System (System) is a contributory pension plan and trust qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. It is a defined benefit plan providing disability, death, and retirement protection to its members, which include full-time employees of the state and substantially all school teachers, firefighters, and police officers within the state. Full-time employees of political subdivisions may participate if their governing body elects to participate.

The System is administered by a thirteen member board of Trustees on which the state does not represent a voting majority. The Board is fiduciarily responsible for the trust fund's assets and directs the investment of the pension assets, reviews actuarial assumptions and valuations from which the employer contribution rates are certified by the board, and generally supervises the operations of the System.

The System is deemed to be fiscally dependent on the state because the employee member contribution rates are set through state statute, and the state has budget approval authority over the administrative costs of the System.

Pease Development Authority (Proprietary Fund Type) - The Pease Development Authority (PDA) is a body corporate and politic with a governing body of seven members. Four members are appointed by the state and three members are appointed by the city of Portsmouth and the town of Newington. The state has made several loans to the PDA.

University System of New Hampshire (College and University Funds) - The University System of New Hampshire (University System) is a body corporate and politic with a governing board of twenty-five members. A voting majority is held by the state through the eleven members appointed by the Governor and Executive Council and three state officials serving as required by law. These state officials are the Governor, the Commissioner of the Department of Education, and the Commissioner of the Department of Agriculture. The remaining board members represent the university and colleges

of the system, the alumni, and the student body. The University System funds its operations through tuition and fees, government grants and contracts, auxiliary operations, and state appropriations. These state appropriations for operations and capital projects represented 15.2% of the total University System's revenue for fiscal year 1999.

Related Organizations:

The state is responsible for appointing voting members to the governing boards of the following legally separate organizations, but the state's financial accountability for these organizations does not extend beyond making the appointments. Therefore, the financial data of these entities are excluded from the state's financial statements.

Maine - New Hampshire Interstate Bridge Authority - The Maine - New Hampshire Interstate Bridge Authority (Authority) was created by the Acts of the Maine Legislature and the New Hampshire Legislature in 1936-1937. The Authority is a jointly governed board which directs the long-term operation of the bridge spanning the Piscataqua River between the two states. The commissioner of the New Hampshire Department of Transportation and two other board members appointed by the Governor and Executive Council make up half of the six-member governing board of the Authority. A trust fund established from toll revenues collected through July 1972 funds the maintenance of the bridge.

New Hampshire Higher Educational and Health Facilities Authority - The New Hampshire Higher Educational and Health Facilities Authority (Authority) is a body corporate and politic created by Chapter 195-D of the state's statutes. The purpose of the Authority is essentially to provide not-for-profit hospitals, nursing homes, institutions for higher education, and other similar organizations as defined in the enacting legislation with an additional method for financing buildings, equipment, and student loan programs. The seven members of the Authority's governing board are appointed by the Governor and Executive Council. The bonds issued by the Authority are the liabilities of the Authority. The state is not liable or contingently liable for the debt of the Authority. The operations of the Authority are funded by fees charged for services provided.

New Hampshire Housing Finance Authority - The New Hampshire Housing Finance Authority (Authority) is a body corporate and politic created by Chapter 204-C of the state's statutes. The purpose of the Authority is to stimulate the construction and rehabilitation of housing for low and moderate income families in New Hampshire. The governing board of the Authority is made up of nine members appointed by the Governor and Executive Council. The bonds issued by the Authority are the liabilities of the Authority. The state is not liable or contingently liable for the debt of the Authority. The operations of the Authority are funded by fees charged for services provided.

New Hampshire Municipal Bond Bank - The New Hampshire Municipal Bond Bank (Bond Bank) is a body corporate and politic created by Chapter 35-A of the state's statutes. The Bond Bank enables governmental units within the state (e.g., counties, towns, and school districts) to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. The governing board of the Bond Bank consists of the state Treasurer and four other members appointed by the Governor and Executive Council. The bonds issued by the Bond Bank are the liabilities of the Bond Bank. The state is not liable or contingently liable for the debt of the Bond Bank. The operations of the Bond Bank are funded by investment earnings and fees.

B. BASIS OF PRESENTATION - FUND ACCOUNTING

The accompanying financial statements of the state's primary government are presented in three fund categories and two account groups. The fund categories are governmental, proprietary, and fiduciary. Within the three categories are five fund types. Each fund type is divided into separate funds. Account groups are presented for general fixed assets and general long-term debt.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

Governmental Fund Types

General Fund: The General Fund accounts for all financial transactions not accounted for in any other fund.

Special Revenue Funds: The special revenue funds (Highway Fund, Fish and Game Fund, and the Special Fund) are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Projects Fund: The Capital Fund is used to account for certain capital improvement appropriations which are or will be primarily funded by the issuance of state bonds or notes, other than bonds and notes for highway or turnpike purposes, or by the application of certain federal matching grants.

Proprietary Fund Type

Enterprise Funds: The state's enterprise funds were established to account for the self-supporting activities of state governmental units that render services on a user-charge basis to the general public. These funds account for the activities of the Turnpike System, the Liquor Commission, and the Sweepstakes Commission.

Fiduciary Fund Type

Trust and Agency Funds: Transactions related to assets held by the state in a trustee or agency capacity are accounted for in the fiduciary fund category. The trust and agency fund type comprises expendable trust funds, nonexpendable trust funds, an investment trust fund, and agency funds. All assets of an expendable trust fund can be expended to achieve the purpose for which it was established. The principal of the nonexpendable trust funds is held in perpetuity, whereas the earnings on the principal are used to support the fund's purpose. Agency funds account for assets received by the state as an agent for other governmental units, other organizations, or individuals.

Account Groups

General Fixed Assets: The General Fixed Asset Account Group is used to account for the fixed assets of the governmental funds. Fixed assets of the proprietary funds and the discretely presented component units are accounted for in their respective funds.

General Long-Term Debt: Activities related to governmental fund unmatured long-term general obligation bonds payable and the cumulative long-term liabilities for compensated absences and uninsured claims are reflected in the General Long-Term Debt Account Group.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for using the flow of current financial resources measurement focus and reported on a modified accrual basis of accounting. With this measurement focus, unreserved fund balance generally reflects net current assets. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues and assets are recognized when measurable and available, which means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures and liabilities are recognized as obligations when incurred as a result of a receipt of goods or services, except that interest on long-term debt is recognized as an expenditure when it becomes payable.

Agency Fund assets and liabilities are recorded on the modified accrual basis.

All proprietary funds, nonexpendable trust funds and investment trust funds are accounted for on a flow of economic resources measurement focus and reported on an accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary fund operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred. The presentation of the underlying fund types and basis of presentation of the individual component units reported in the discrete column is available from each respective component unit's separately issued financial statements.

The presentation of the component units is not meant to be a consolidation within the state reporting entity as transactions within the entity such as fixed assets and long-term debt have not been reported in the applicable state account group. However, appropriations to the component units are recorded as operating transfers out of the General and Capital Funds and as operating transfers into the component unit organization.

D. CASH EQUIVALENTS

For the purposes of the Statement of Cash Flows, cash equivalents represent short-term investments with original maturities less than three months from the date acquired by the state.

E. INVESTMENTS

Investments are reported at fair value except for investments of the investment trust fund which are reported at net amortized cost because it qualifies as a 2a-7 like pool.

F. RECEIVABLES

Receivables in the governmental fund types consist primarily of accrued taxes and federal grants receivable. Taxes receivable are primarily taxpayer-assessed revenues representing amounts owed by the taxpayers for the period ended June 30 which are received by the state shortly thereafter. These revenues are susceptible to accrual in accordance with measurable and available criteria under the modified accrual basis of accounting. Federal grant receivables are amounts due from the federal government to reimburse the state for expenditures incurred pursuant to federally funded programs.

G. INVENTORIES

Inventories for materials and supplies are determined by physical count. The Sweepstakes game tickets are stated at the lower of cost (first-in, first-out method) or market. All other inventories in the governmental and proprietary funds are stated at average cost, except for food stamp coupons which are valued at the coupon face value for amounts held by the state or its agents at year end.

Governmental fund inventories are recorded under the purchase method with the exception of the food stamp coupons. Reported inventory balances in the governmental funds are equally offset by a fund balance reserve that indicates they do not constitute "available expendable resources" even though they are part of net current assets. The food stamp inventory balance of \$4.2 million is offset by a corresponding amount of deferred revenue.

H. RESTRICTED ASSETS

Chapter 122 of the Laws of 1994 established the Health Care Fund (HCF). The restricted investments and receivables in the General Fund are the assets restricted for the HCF purpose (see Note 1-M: Fund Equity).

The proceeds of Turnpike System revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets.

I. FIXED ASSETS

Fixed Assets - Governmental Funds: General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. For financial reporting purposes, the state capitalizes equipment with costs of \$10,000 or greater and land, land improvements, building, building improvements, and construction in progress with costs of \$100,000 or greater. All purchased fixed assets are recorded at historical cost and in some instances at estimated historical cost. Donated fixed assets are recorded at their estimated fair value on the date received. Interest costs incurred during construction are not capitalized. Public domain ("infrastructure") general fixed assets consisting of roads, bridges, dams, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the state. Assets in the General Fixed Assets Account Group are not depreciated.

Fixed Assets - Enterprise Funds: Fixed assets related to the enterprise funds are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair value

on the date received. Depreciation is computed using the straight-line method over the fixed assets' estimated useful lives which are as follows: Infrastructure - 50 years; Buildings - 20 to 40 years; Land Improvements - 20 years; Building Improvements - term of lease; and Equipment - 3 to 10 years.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related fixed asset, as applicable.

Fixed assets purchased or constructed by other funding sources are recorded at cost and offset by an increase to "Contributions from Other Funds" or "Contributed Capital (Net of Amortization)".

J. DEFERRED REVENUE

Deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted as an offset to long-term loans receivable and federal funds received in advance of eligible expenditures.

K. COMPENSATED ABSENCES

All full-time state employees in classified service earn annual and sick leave. At the end of each fiscal year, additional leave (bonus days) may be awarded based on the amount of sick leave taken during the year. Accrued compensatory time, earned for overtime worked, must be taken within one year.

The state's compensated absences liability represents the total liability for the cumulative balance of employees' annual, bonus, compensatory, and sick leave based on years of service rendered. The accrued liability for annual leave does not exceed the maximum cumulative balance allowed which ranges from 30 to 48 days based on years of service. Bonus hours accrued subsequent to June 30, 1995, must be used within one year of the date earned. The cumulative balance of unused bonus hours earned prior to June 30, 1995, can be carried forward to future periods. The accrual for sick leave is made to the extent it's probable that the benefits will result in termination payments rather than be taken as absences due to illness.

L. ENCUMBRANCES

Contracts and purchasing commitments are recorded as encumbrances when the contract or purchase order is executed. Upon receipt of goods or services, the encumbrance is liquidated and the expenditure and liability are recorded. Unliquidated encumbrances are reported in the Reserved for Encumbrances account as a component of fund equity for the governmental fund types.

M. FUND EQUITY

Contributed capital is recorded in the proprietary funds that have received capital grants, contributions from the public or working capital transfers from other funds.

Fund balances for all governmental funds are either reserved or unreserved. Reserved fund balances reflect either 1) assets which, by their nature, are not available for appropriations (Reserve for

Inventories and Reserve for Investments) or 2) funds legally segregated for a specific future use (Reserve for Encumbrances). Certain reserve accounts are further described below:

Reserved for Unexpended Appropriations: This account represents amounts of unexpended appropriations legally carried forward and available for encumbrances and expenditures in the succeeding year.

Reserved for Revenue Stabilization: RSA 9:13-e established the Revenue Stabilization account for the purpose of deficit reduction. At the close of each fiscal biennium, any General Fund undesignated fund balance is distributed 50:50 to the Revenue Stabilization account and the Health Care Fund. The maximum balance that may accumulate in the account is limited to 10% of the General Fund unrestricted revenue. The account may not be used for any other purpose without specific approval by two-thirds of each house of the Legislature and the Governor.

In the event of a General Fund undesignated fund balance deficit at the close of a fiscal biennium, a transfer from the Reserved for Revenue Stabilization account may be made only if the General Fund's unrestricted revenues are less than budgeted. The amount of the transfer is limited to the smaller of the General Fund undesignated fund balance deficit or the unrestricted revenue shortfall.

Reserved for Health Care Fund: RSA 167:70 established the Health Care Fund for the purpose of providing financial resources for future changes in the state's health care system in order to increase access to quality health care for the citizens of New Hampshire. In 1994, a portion of net Medicaid enhancement revenues, received as a result of an amendment to the state's Medicaid plan relative to the New Hampshire Hospital disproportionate share revenues, was set aside to establish the initial fund balance. The maximum balance that may accumulate in the Health Care Fund is \$100 million. At the end of any fiscal biennium, all principal assets in the fund in excess of \$100 million will be transferred to the Reserved for Revenue Stabilization account.

Further legislation provided for the transfers from the Health Care Fund that resulted from shortfalls in specific Health and Human Services revenue enhancements. The transfers were limited to the smaller of the General Fund undesignated fund balance deficit or the calculated revenue shortfall. In the event that net Medicaid enhancement revenues exceed amounts budgeted, the excess shall be transferred back to the Health Care Fund. The amount transferred to the Health Care Fund shall not exceed the cumulative amount transferred from the Fund. All transfers from the Health Care Fund require the prior approval of the Legislative Fiscal Committee. Finally, in the biennium ended June 30, 1999, \$14.8 million of Health Care Funds were appropriated for computer system improvements for the Department of Health and Human Services.

Reserved for Local Education Betterment Fund: During fiscal year 1999, \$116.2 million was reserved for the Local Education Betterment Fund as a result of legislation that passed during the 1999 session. In addition, excess sweepstakes earnings from fiscal year 1999 of \$8.6 million have also been reserved in this fund. In fiscal year 2000, these amounts will be transferred to the newly created Education Fund and distributed to local communities for education.

N. CAPITAL OUTLAYS

Capital Outlays represent equipment purchases for all funds. In addition to equipment purchases, the Highway Fund's capital outlays represent expenditures for the 10-year state highway construction program.

O. BOND DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS

In governmental fund types, bond discounts, premiums, and issuance costs are recognized in the period the bond proceeds are received. Bond discounts and issuance costs for the proprietary fund type are deferred and amortized over the term of the bonds.

P. INTRAENTITY TRANSACTIONS

The state accounts for intraentity transactions as described below:

Operating Transfers - Legally required transfers are reported when incurred as "Operating Transfers In" by the receiving fund and as "Operating Transfers Out" by the disbursing fund. Legally required transfers between the primary government and its component units are reported as "Operating Transfers from (to) Primary Government" and "Operating Transfers (to) from Component Units."

Reimbursements - Various departments charge fees on a user basis for such services as centralized data processing, accounting and auditing, purchasing, personnel, and maintenance. These fees are not considered material and are recorded as revenue by the servicing department and as expenditures by the user department.

Q. CAPITAL PROJECTS

The state records the resources obtained and used for the acquisition, construction, or improvement of certain capital facilities in the Highway Fund and the Capital Projects Fund. Encumbrances are recorded when contracts are executed. Expenditures are recorded when incurred and encumbrances are liquidated at that time.

Resources obtained to finance capital projects include federal grants and general obligation bonds. General obligation bonds are recorded as liabilities in the General Long-Term Debt Account Group and as other financing sources in the funds that receive the proceeds.

R. MEANING OF "TOTALS (MEMORANDUM ONLY)" COLUMNS

The "totals - memorandum only" columns represent an aggregation of individual account balances. The column is presented for overview informational purposes and does not present consolidated financial information, since interfund balances and transactions have not been eliminated.

S. BUDGET CONTROL AND REPORTING

The statutes of the state of New Hampshire require the Governor to submit a biennial budget to the Legislature for adoption. This budget, which includes a separate budget for each year of the biennium, consists of three parts: Part I is the Governor's program for meeting all expenditure needs and estimating revenues. There is no constitutional or statutory requirement that the Governor propose or the Legislature adopt a budget that does not resort to borrowing.

Part II is a detailed breakdown of the budget at the department level for appropriations to meet the expenditure needs of the government. Part III consists of draft appropriation bills for the appropriations made in the proposed budget.

The operating budget is prepared principally on a modified cash basis and adopted for the governmental and proprietary funds, with the exception of the Capital Projects Fund. The Capital Projects Fund budget represents individual projects that extend over several fiscal years. Since the Capital Projects Fund comprises appropriations for multi-year projects, it is not included in the budget and actual comparison statement. Fiduciary funds are not budgeted.

In addition to the enacted biennial operating budget, the Governor may submit to the Legislature supplemental budget requests necessary to meet expenditures during the current biennium. During the 1999 Legislative session, \$14.1 million of supplemental budget requests were approved. Appropriation transfers can be made within a department without the approval of the Legislature; therefore, the legal level of budgetary control is at the departmental level.

Additional fiscal control procedures are maintained by both the Executive and Legislative Branches of government. The Executive Branch, represented by the Commissioner of the Department of Administrative Services, is directed to continually monitor the State's financial operations, needs, and resources, and to maintain an integrated financial accounting system. The Legislative Branch, represented by the Fiscal Committee, the Joint Legislative Capital Budget Overview Committee, and the Office of the Legislative Budget Assistant, monitors compliance with the budget and the effectiveness of budgeted programs.

Unexpended balances of appropriations at year end will lapse to undesignated fund balance and be available for future appropriations unless they have been encumbered or legally defined as nonlapsing, which means the balances are reported as reservation of fund balance. Capital Projects Fund unencumbered appropriations lapse in two years unless extended or designated as non-lapsing by law.

2. RECONCILIATION OF BUDGETARY TO GAAP

The State's biennial budget is prepared on a basis other than GAAP. The "actual" results columns of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - Budgetary Basis are presented on a "budgetary basis" to provide a meaningful comparison to the budget.

The major differences between the budgetary basis and the GAAP basis are:

1. Expenditures are recorded when cash is paid (budgetary), rather than when the obligation is incurred (GAAP). In addition, revenue based on these accruals is adjusted on a GAAP basis only.
2. On a GAAP basis, major inter-agency and intra-agency transactions are eliminated in order to not double count revenues and expenditures.

The following schedule reconciles the General and Special Revenue Funds of the primary government for differences between budgetary accounting methods and GAAP basis accounting principles for the year ended June 30, 1999 (expressed in thousands):

	General Fund	Special Revenue Funds
Excess of revenues and other financing sources over expenditures and other financing uses (Budgetary Basis)	\$ 102,507	\$ 46,534
Adjustments and Reclassifications:		
To record Accounts Payable and Accrued Payroll	(10,373)	(12,630)
To record Accounts Receivable and Deferred Revenue	(951)	20,494
To reclassify revenue and expenditures to and from OFSU ..	6,224	
To adjust for encumbrances and the net change in appropriation related balances	(6,091)	(64,557)
To record Other Financing Sources and Uses	(3,068)	7,097
Excess of revenues and other financing sources over expenditures and other financing uses (GAAP Basis)	\$ 88,248	\$ (3,062)

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

PRIMARY GOVERNMENT

The state pools cash and investments except for separate cash and investment accounts maintained in accordance with legal restrictions. Each fund's equity share of the total pooled cash and investments and restricted assets is included on the accompanying balance sheet under the captions "Cash and Cash Equivalents" and "Investments".

Deposits: The following statutory requirements and Treasury Department policies have been adopted to minimize risk associated with deposits.

RSA 6:7 establishes the policy the state Treasurer must adhere to when depositing public monies. The statute restricts deposits to national banks, trust companies, and savings banks within the United States that have a branch in the state of New Hampshire. In addition, all depositories used by the state must be approved at least annually by the Governor and Executive Council.

RSA Chapter 6-B:2 requires the state Treasurer to submit quarterly financial reports to the Governor and Executive Council, the Commissioner of Administrative Services, and the Legislative Fiscal Committee.

The Treasury Department examines the financial condition of its depositories quarterly. The state Treasurer is not required to collateralize bank deposits. Nevertheless, during fiscal year 1999, the Treasury Department collateralized deposits at two of its major depositories.

Investments: The following statutory requirements and Treasury Department policies have been adopted to ensure reasonable rates of return on investments while minimizing risk factors.

RSA Chapter 6:8 sets the policies the state Treasurer must adhere to when investing state funds. Subject to Governor and Council approval, the Treasurer must invest in certain types of investments. Those investments include obligations of the United States government or municipal governments within New Hampshire, savings accounts and legal investments for savings banks and trust companies, participation units in the public deposit investment pool, and certificates of deposit of state or federally chartered banks within New Hampshire or national banks in Massachusetts.

The financial condition of each bank in which or through which investments are made is evaluated by the Treasury Department on a quarterly basis. Banks through which repurchase agreements are written maintain their collateral in an investment book entry account with the Federal Reserve. That collateral is not separate from the banks' assets. However, securities used for collateral are segregated from the banks' investment accounts and are kept free of liens, charges, or claims of third parties. Repurchase agreements represent 7.3% of the State's investment portfolio at June 30, 1999. The state Treasurer is prohibited by statute from entering into reverse repurchase agreements.

Some United States Government Obligations are classified as cash and cash equivalents on the balance sheet because their original maturities are less than three months. For purposes of the notes to the financial statements, United States Government Obligations are categorized as investments in accordance with GAAP.

The balances of the State's deposit accounts at June 30, 1999, listed by custody risk category, are shown in the following schedule. The total bank balance represents the total amounts on deposit as reported by the banks. The carrying amount represents the balances on the State's records. The principal difference in demand deposits is outstanding checks which have not cleared the bank as of June 30, 1999 (expressed in thousands):

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Pooled Deposits:					
Demand Deposits (Interest Bearing) ..	\$ 500	\$ 3,887	\$ 125,117	\$ 129,504	\$ 79,432
Money Market Accounts			92,725	92,725	92,725
Savings Accounts	18		2,422	2,440	2,440
Certificates of Deposit			24,293	24,293	24,293
Sub Total	518	3,887	244,557	248,962	198,890
Restricted Deposits:					
Money Market Accounts			2,887	2,887	2,887
Total Deposits	\$ 518	\$ 3,887	\$ 247,444	\$ 251,849	\$ 201,777

Category 1 Fully insured or collateralized with securities held by the state or its agent in the State's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
Category 3 Uncollateralized.

In accordance with GAAP, investments are classified as to custody risk by the three categories described below (expressed in thousands):

	Categories			Fair Value
	1	2	3	
Pooled Investments:				
Stocks and Bonds	\$ 2,000		\$ 9,685	\$ 11,685
Municipal Debt Securities	16,610			16,610
United States Government Obligations	15,374		8,081	23,455
N.H. Public Deposit Investment Pool			283,517	283,517
Subtotal	33,984	\$ -0-	301,283	335,267
Restricted Investments:				
Repurchase Agreements	5,000		68,311	73,311
United States Government Obligations	59,429			59,429
N.H. Public Deposit Investment Pool			16,721	16,721
Subtotal	\$ 64,429	\$ -0-	\$ 85,032	149,461
Uncategorized:				
United States Government Obligations (funds on deposit in the Federal Unemployment Trust Fund)				301,607
Open-ended Mutual Funds				219,361
Subtotal				520,968
Total Investments				\$ 1,005,696

Category 1 Insured or registered in the State's name, or securities held by the state or its agent in the State's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The following is a reconciliation of cash and investments to the balance sheet (expressed in thousands):

Per the Combined Balance Sheet:

Per Note 3 Classifications:

Unrestricted:		
Cash and Cash Equivalents	\$ 365,997	Cash on Hand \$ 4,528
Investments	693,656	Carrying Amount of Deposits 201,777
Restricted:		Investments 1,005,696
Cash and Cash Equivalents	2,887	
Investments	149,461	
Total..... \$ 1,212,001		Total..... \$ 1,212,001

COMPONENT UNITS**Levels of Risk of Cash and Cash Equivalents (expressed in thousands):**

	Categories			Total Bank Balance	Carrying Amount
	1	2	3		
Deposits:					
Demand Deposits (Interest Bearing)	\$ 342		\$ 10,664	\$ 11,006	\$ 4,734
Money Market Fund			13,205	13,205	13,205
Subtotal	342	\$ -0-	23,869	24,211	17,939
Restricted Deposits:					
Demand Deposits (Interest Bearing)	2,793		6,003	8,796	8,852
Total Deposits	\$ 3,135	\$ -0-	\$ 29,872	\$ 33,007	\$ 26,791

Category 1 Fully insured or collateralized with securities held by the state or its agent in the State's name.
Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the State's name.
Category 3 Uncollateralized.

Levels of Risk of Investments (expressed in thousands):

	Categories			Fair Value
	1	2	3	
Investments:				
Repurchase Agreements			\$ 12,622	\$ 12,622
Stocks and Bonds	\$ 3,022,875		128,323	3,151,198
United States Government Obligations	527,620			527,620
Subtotal	3,550,495	\$ -0-	140,945	3,691,440
Restricted Investments:				
United States Government Obligations	6,672			6,672
Uncategorized:				
New Hampshire Retirement System				1,362,091
Business Finance Authority				3,250
University System of New Hampshire				126,867
Pease Development Authority				658
Subtotal				1,492,866
Total Investments	\$ 3,557,167	\$ -0-	\$ 140,945	\$ 5,190,978

Category 1 Insured or registered in the State's name, or securities held by the state or its agent in the State's name.
Category 2 Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name.
Category 3 Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the State's name.

The following is a reconciliation of cash and investments to the balance sheet (expressed in thousands):

Per the Combined Balance Sheet:		Per Note 3 Classifications:	
Unrestricted:			
Cash and Cash Equivalents	\$ 526,073	Carrying Amount of Deposits	\$ 26,791
Investments	4,673,003	Investments	5,190,978
Restricted:			
Cash and Cash Equivalents	8,852		
Investments	9,841		
Total	\$ 5,217,769	Total	\$ 5,217,769

4. RECEIVABLES

Accounts Receivable:

The following is a breakdown of receivables at June 30, 1999 (expressed in thousands):

	GOVERNMENTAL FUND TYPES			PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	COMPONENT UNITS
	General Fund	Special Revenue Funds	Capital Projects Fund	Enterprise Funds	Trust and Agency	
Taxes:						
Meals and Rooms	\$ 12,873					
Business Profits	1,904					
Tobacco	4,888					
Estate and Legacy	21,262					
Real Estate Transfer	7,349					
Communications	4,857					
Business Enterprise Tax	4,850					
Gasoline Road Toll		\$ 10,578				
Beer				\$ 1,275		
Sub Total	57,983	10,578		1,275		
Other Receivables:						
Enterprise Funds				5,158		
Unemployment Trust Fund					\$ 7,119	
Investment Trust Fund					137	
Board and Care	1,483					
Federal Grants	7,961	160,692	\$ 280			\$ 7,420
Local Grants	733	5,267				
Due From Cities and Towns		1,832				
Interest and Dividends						14,422
Contributions						22,835
Tuition						5,583
Miscellaneous	14,704	18,030	790		75	3,780
Total	\$ 82,864	\$ 196,399	\$ 1,070	\$ 6,433	\$ 7,331	\$ 54,040

Loans and Notes Receivable:

Primary Government: As of June 30, 1999, total water pollution control loans outstanding in the Special Fund amounted to \$105.4 million and were offset by a corresponding amount of deferred revenue. The state Water Pollution Control Revolving Loan Fund ("state Revolving Fund"), established through RSA 486:14, provides loans and other assistance to local communities for financing waste water treatment facilities. The state Revolving Fund was authorized through the Federal Clean Water Act of 1988 and was initially funded through a federal capitalization grant program to states which requires state matching funds equal to 20% of the capitalization grant funding. All loan agreements executed under the state Revolving Fund follow federal requirements and require approval from the Governor and Executive Council. Principal and interest payments on the loans will occur over a period not to exceed 20 years and will be credited directly to the state Revolving Fund, enabling the fund balance to be available in perpetuity.

Component Units: The component units balance of \$23.6 million is University System of New Hampshire Perkins Loans and other college and university loans of \$20.9 million and Business Finance Authority loan repurchase agreements of \$2.7 million.

Restricted Receivables:

Primary Government: The balance of \$.3 million in the General Fund represents interest receivable on the Health Care Transition Fund.

Component Units: The \$13.8 million balance is made up of \$9.8 million of Pease Development Authority leases receivable, and \$4 million of Community Development Finance Authority pledges receivable.

5. FIXED ASSETS

The following is a summary of fixed assets at June 30, 1999 (expressed in thousands):

	<i>PRIMARY GOVERNMENT</i>		<i>COMPONENT UNITS</i>
	Enterprise Funds	General Fixed Assets Account Group	
Land and Land Improvements	\$ 89,777	\$ 122,067	\$ 8,725
Buildings and Building Improvements	17,213	358,735	610,034
Equipment	21,805	92,061	111,166
Construction in Progress	107,510	31,130	7,273
Infrastructure	403,551		
Sub Total	639,856	603,993	737,198
Less: Accumulated Depreciation	(132,871)		(317,548)
Total	\$ 506,985	\$ 603,993	\$ 419,650

General Fixed Assets Account Group:

The following is a summary of changes in the General Fixed Assets Account Group during the fiscal year (expressed in thousands):

	Balance July 1, 1998	Additions	Deletions	Balance June 30, 1999
Land and Land Improvements	\$ 118,261	\$ 5,181	\$ 1,375	\$ 122,067
Buildings and Building Improvements	350,496	8,567	328	358,735
Construction in Progress	13,370	19,788	2,028	31,130
Equipment	87,092	13,124	8,155	92,061
Total	\$ 569,219	\$ 46,660	\$ 11,886	\$ 603,993

In accordance with GAAP, interest is capitalized on proprietary fund assets acquired with tax-exempt debt. The amount of interest capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. In fiscal year 1999, net interest cost capitalized in the Turnpike System Enterprise Fund amounted to \$4.2 million.

6. LONG-TERM DEBT**PRIMARY GOVERNMENT**

Bonds Authorized and Unissued: Bonds authorized and unissued amounted to \$262.9 million at June 30, 1999. The proceeds of the bonds will be applied to the following funds when issued (expressed in thousands):

Highway Fund	\$ 13,309
Capital Projects Fund	112,442
Turnpike System	137,150
Total	\$ 262,901

Turnpike System: The Legislature has established a 10 year highway construction and reconstruction plan for the Turnpike System to be funded from Turnpike revenues. This legislation also authorized the Governor and Executive Council to issue up to \$586 million of revenue bonds to support this project. The state has issued \$395 million of revenue bonds for this project.

Advance Refunding: The following is a summary of general obligation bonds and revenue bonds defeased by the primary government. The proceeds from each advance refunding issue were placed in an irrevocable trust to provide for all future debt service payments on the old bonds.

Accordingly, the trust account assets and the liability for the defeased bonds are not included in the State's financial statements (expressed in thousands):

Date of Advance Refunding	Amount Outstanding at June 30, 1999
Governmental Fund Types (General Obligation Bonds):	
December 1, 1998	\$ 67,355
December 19, 1996	36,375
April 15, 1993	38,650
Subtotal	142,380
Turnpike System (Revenue Bonds):	
February 1, 1999	6,495
January 20, 1994	27,000
August 1, 1992	79,065
Subtotal	112,560
Total	\$ 254,940

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities for bonds, compensated absences, and uninsured claims as reported by the primary government during the fiscal year (expressed in thousands):

	Balance July 1, 1998	Accretion	Increases	Decreases	Balance June 30, 1999
General Long-Term Debt Account Group					
General Obligation Bonds	\$ 578,277	\$ 11,368	\$ 176,073	\$ 154,397	\$ 611,321
Compensated Absences	53,312			1,400	51,912
Uninsured Claims	9,720			675	9,045
Total	\$ 641,309	\$ 11,368	\$ 176,073	\$ 156,472	\$ 672,278
Enterprise Funds					
General Obligation Bonds	\$ 39,248		\$ 4,177	\$ 8,839	\$ 34,586
Revenue Bonds	261,953		96,770	14,147	344,576
Compensated Absences	4,325			31	4,294
Total	\$ 305,526	\$ -0-	\$ 100,947	\$ 23,017	\$ 383,456

On December 1, 1998, the state issued \$75.0 million of general obligation capital improvement bonds. The interest rates on these serial bonds range from 4% to 5.25% and the maturity dates range from 1999 through 2018. A portion of the proceeds from this issue were used to pay off \$30.0 million of short-term notes which were outstanding at June 30, 1998.

On December 1, 1998, the state issued \$105.3 million of general obligation refunding bonds. These bonds comprise two series – Series A (\$83.3 million) and Series B (\$22.0 million). The interest rates on these serial bonds range from 4% to 5.25%, and maturity dates range from 1999 to 2012. The Series B bonds are federally taxable, while the Series A bonds are exempt from federal taxes. These bonds were used to refund \$100.5 million of general obligation bonds. The proceeds of the refunding were used to purchase U.S. Government Securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments from 2000 through 2012 for Series A and 1999 through 2001 for Series B. The applicable portion of the liability for those bonds has been removed from the General Long-Term Debt Account Group. The advance refunding of the \$100.5 million of general obligation bonds will result in a cash savings of \$4.0 million over the next twenty years and a long-term economic gain of \$3.5 million.

On February 1, 1999, the state issued \$96.8 million of Turnpike System Revenue Bonds consisting of \$90.0 million of capital improvement bonds and \$6.8 million of refunding bonds. The interest rates on this bond issue range from 4% to 5.125% and the maturity dates range from 2000 through 2029. The \$6.8 million of refunding bonds were used to refund \$6.5 million of revenue bonds. A portion of the proceeds from the

refunding bonds was deposited into a trust account to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments from 1999 forward and the applicable portion of the liability for those bonds has been removed from the General Long-Term Debt Account Group. The advance refunding of \$6.5 million of Turnpike revenue bonds will result in a cash savings of \$0.5 million over the next four years and a long-term economic gain of \$0.3 million.

Capital Appreciation Bonds: Six of the state's general obligation capital improvement bonds issued since November 1990 represent capital appreciation bonds (College Savings Bond Program) with interest being accrued and compounded semiannually in the General Long-Term Debt Account Group. At June 30, 1999, the cumulative interest accretion since issuance for all six capital appreciation bonds is approximately \$74.2 million. The interest is not paid until the bonds mature, at which time the expenditure will be recorded.

Debt Maturity: All bonds issued by the state, except for the \$395 million in Turnpike revenue bonds issues discussed earlier in this note, are general obligation bonds, which are backed by the full faith and credit of the state. Interest rates on these issues range from 2.7% to 8.5%. Debt service payments on “self-liquidating” debt are funded by reimbursements from component units for debt issued by the state on their behalf and through user fees and other revenues statutorily earmarked to fund debt service payments on specific projects. The anticipated source of repayment and annual maturities are as follows (expressed in thousands):

Payable June 30,	SOURCE OF PRINCIPAL PAYMENTS				DEBT SERVICE				
	GOVERNMENTAL FUNDS				ENTERPRISE FUND		TOTAL ALL FUNDS		
	General Fund	Highway Fund	Self Liquidating	Total	Turnpike System		Principal	Interest	Total
					General Obligation	Revenue			
2000	\$ 51,035	\$ 3,136	\$ 6,258	\$ 60,429	\$ 4,173	\$ 6,645	\$ 71,247	\$ 41,815	\$ 113,062
2001	49,520	3,082	7,093	59,695	4,192	6,785	70,672	38,017	108,689
2002	45,061	2,970	6,547	54,578	4,036	9,335	67,949	35,721	103,670
2003	46,291	3,179	6,405	55,875	4,016	7,765	67,656	33,202	100,858
2004	46,260	2,963	5,880	55,103	3,974	9,675	68,752	30,980	99,732
Thereafter	332,720	24,083	52,701	409,504	14,195	309,245	732,944	251,422	984,366
Subtotal	570,887	39,413	84,884	695,184	34,586	349,450	1,079,220	431,157	1,510,377
Unamortized Discount	(71,803)	(7,729)	(4,331)	(83,863)		(4,874)	(88,737)		(88,737)
Total	\$ 499,084	\$ 31,684	\$ 80,553	\$ 611,321	\$ 34,586	\$ 344,576	\$ 990,483	\$ 431,157	\$ 1,421,640

Turnpike System principal debt service includes general obligation principal debt service of \$34.6 million, serial revenue bond principal debt service of \$109.6 million, and term revenue bond principal debt service of \$239.9 million. Actual principal paid to bond holders by the bond registrar is different from the above debt service schedule the state Treasurer is required to pay to the bond registrar because a portion of the Turnpike System revenue bonds is composed of term bonds versus serial bonds. For term bonds, the state Treasurer is required to pay the bond registrar the annual principal debt service, but the bond registrar is not required to pay principal to the bond holders until the single date of maturity.

COMPONENT UNITS

Changes in Long-Term Liabilities: The following is a summary of the changes in the long-term liabilities as reported by the component units during the fiscal year (expressed in thousands):

	Balance July 1, 1998	Increases	Decreases	Balance June 30, 1999
Business Finance Authority	\$ 22,340		\$ 789	\$ 21,551
University System of NH	151,996	\$ 2,796	1,563	153,229
Total	\$ 174,336	\$ 2,796	\$ 2,352	\$ 174,780

The University System of New Hampshire's long-term liabilities include accrued employee benefits and compensated absences of \$56.6 million.

Debt Maturity: The following is a summary of the annual principal payments and total debt service relating to the long-term debt of the component units (expressed in thousands):

Payable June 30,	PRINCIPAL PAYMENTS		DEBT SERVICE		
	Business Finance Authority	University System of N.H.	Principal	Interest	Total
2000	\$ 900	\$ 2,213	\$ 3,113	\$ 7,422	\$ 10,535
2001	1,000	2,322	3,322	7,236	10,558
2002	1,100	2,451	3,551	7,032	10,583
2003	1,300	2,587	3,887	6,811	10,698
2004	1,300	2,654	3,954	5,392	9,346
Thereafter	16,100	87,322	103,422	68,449	171,871
Subtotal	21,700	99,549	121,249	102,342	223,591
Unamortized Discount	(149)	(2,919)	(3,068)		(3,068)
Total	\$ 21,551	\$ 96,630	\$ 118,181	\$ 102,342	\$ 220,523

7. RISK MANAGEMENT AND INSURANCE

The state is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The state primarily retains the risk of loss except where the provisions of law allow for the purchase of commercial insurance or where commercial insurance has been proven beneficial for the general public. There are approximately 30 such commercial insurance programs in effect, which include fleet automobile liability, ski area liability for Cannon Mountain, and a faithful performance position schedule bond. Settled claims under these insurance programs have not exceeded commercial insurance coverage in any of the last three years. Claim liabilities not covered by commercial

insurance are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 1999, the amount of liabilities not covered by commercial insurance was approximately \$11.2 million related to worker's compensation claims. This liability is the State's best estimate based on available information. In the governmental funds, the total liability is approximately \$9.9 million. Of this liability, \$9 million has been determined to be payable with expendable available financial resources and recorded as a current liability in the governmental funds. The remaining \$9 million long-term liability has been recorded in the General Long-Term Debt Account Group. The total liability recorded in the enterprise funds amounted to \$1.3 million at June 30, 1999.

The following table presents the changes in worker's compensation claim liabilities (short- and long-term combined) during the fiscal years ending June 30, 1998, and June 30, 1999:

Changes in Claim Liabilities (expressed in thousands)				
Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Paid	Ending Balance
1998	\$ 10,417	\$ 7,873	\$ 6,302	\$ 11,988
1999	11,988	4,532	5,285	11,235

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8. INTERFUND RECEIVABLES AND PAYABLES

Due From or To Other Funds in the primary government consist of the following as of June 30, 1999 (expressed in thousands):

RECEIVABLE FUND	AMOUNT	PAYABLE FUND	AMOUNT
Special Fund	\$ 27,488	General Fund	\$ 35,846
Liquor Commission	8,358		
General Fund	27,592	Sweepstakes Commission	8,579
		Capital Fund	6,804
		Special Fund	12,209
Trust and Agency Funds	193	Trust and Agency Funds	79
		General Fund	114
Total	\$ 63,631	Total	\$ 63,631

Due from Component Units: As of June 30, 1999, the cumulative balance of outstanding loans plus accrued interest to the Pease Development Authority (PDA) amounted to \$54.3 million. The balance has been offset by a corresponding amount of deferred revenue in the General Fund and Special Fund. The following is a summary of the more significant components of these loans:

On March 31, 1993, the Governor and Executive Council approved the issuance of \$29.9 million in state general obligation bonds, the proceeds of which were loaned to the Pease Development Authority (PDA) pursuant to RSA 12-G:27 and an executed loan agreement between the state and the PDA. The proceeds of the bond issue were used to finance the project costs of a facility constructed at Pease which is subleased currently to Alusuisse - Lonza Group (Lonza). As of June 30, 1999, the principal balance remaining on the bonds was \$26 million.

As of June 30, 1999, the state has loaned the PDA \$18.4 million in accordance with RSA 12-G:27,III and 12-G:27-c. The loan proceeds were used for the 1992 through 1997

PDA operating budgets, pursuant to various legislation, and as matching funds for various federal grant programs. The repayment of these loans shall be made when due from available funds of the PDA in accordance with RSA 12-G:27,III and 12-G:27-c.

The state has issued general obligation bonds to finance certain capital projects for the University System of New Hampshire (University System). As of June 30, 1999, the outstanding balance of these bonds was \$10 million. The state is reimbursed for the debt service payments from the University System as the payments are due. This receivable is classified as "Due from Component Units" and "Deferred Revenue" in the State's General Fund for financial reporting purposes.

Due to Component Units: In accordance with the loan and trust agreements executed between the state, the PDA, and Lonza, certain trust accounts have been established by the PDA with the state relative to the \$29.9 million loaned to the PDA. The assets of these trusts are recorded in the primary government's Fiduciary Fund Type with a corresponding liability, "Due to Component Units". As of June 30, 1999, the balance of these trust accounts amounted to \$.3 million.

9. UNDESIGNATED FUND BALANCE (DEFICIT)

Highway Fund: The Highway Fund unreserved, undesignated deficit was \$20.7 million as of June 30, 1999. The deficit exists primarily because certain Highway Fund infrastructure projects will be funded by future bond issues. Bonds authorized and unissued for the Highway Fund amounted to \$13.3 million at June 30, 1999.

Capital Projects Fund: The June 30, 1999, unreserved, undesignated deficit of the Capital Projects Fund was \$112.7 million. The Capital Projects Fund accounts for multi-year capital projects which will be primarily financed by bond proceeds. The project costs are appropriated when the project is approved. Bonds are issued as the expenditures are expected

10. CONTRIBUTED CAPITAL

The state records the costs associated with projects of the Turnpike System, where the federal government or other non-Turnpike System sources have provided funding, as increases in fixed assets (e.g., land, construction in progress, and infrastructure) and as contributed capital under fund equity on the Turnpike System balance sheet. In accordance with GAAP, the depreciation of the costs of such projects is charged to contributed capital.

The following schedule shows the change in contributed capital during fiscal year 1999 (expressed in thousands):

Net Contributed Capital at July 1, 1998	\$ 36,584
Activity during Fiscal Year 1999:	
Federal Government	279
Highway Fund	55
Less: Depreciation	(807)
Net Contributed Capital at June 30, 1999	\$ 36,111

11. EMPLOYEE BENEFIT PLANS

NEW HAMPSHIRE RETIREMENT SYSTEM

Plan Description: The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer Public Employee Retirement System (The Plan) established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401 (a) and 501 (a) of the Internal Revenue Code. The Plan is a contributory defined-benefit plan providing service, disability, death, and vested retirement benefits to members and beneficiaries. The Plan covers substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and police officers within the state of New Hampshire. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation. The Plan is divided into two membership groups. Group I consists of state and local employees and teachers.

Group II consists of firefighters and police officers. All assets are in a single trust and are available to pay retirement benefits to all members.

Group I - Members at age 60 qualify for a normal service retirement allowance based on years of creditable service and average final compensation (AFC). The yearly pension amount is 1/60 (1.67%) of average final compensation multiplied by years of creditable service. AFC is defined as the average of the three highest salary years. At age 65, the yearly pension amount is recalculated at 1/66 (1.5%) of AFC multiplied by years of creditable service. Members in service with 10 or more years creditable service who are between age 50 and 60 or members in service with at least 20 or more years of service, whose combination of age and service is 70 or more, are entitled to a retirement allowance with appropriate graduated reduction based on years of creditable service.

Group II - Members who are age 60, or members who are at least age 45 with at least 20 years of creditable service can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years.

Members of both groups may qualify for vested deferred allowances, disability allowances, and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation, service, or both.

Pursuant to RSA 100-A:50, the New Hampshire Retirement System also provides a postretirement medical premium subsidy to certain Group II members.

A special account has been established by RSA 100-A:16, II(h) for additional benefits. The account is credited with all of the earnings of the account assets in the account plus the earnings of the remaining assets of the plan in excess of the assumed rate of return plus 1/2 of 1 percent.

The New Hampshire Retirement System issues a publicly available financial report that may be obtained by writing to them at 4 Chenell Drive, Concord, NH 03301-8509.

Funding Policy: The Plan is financed by contributions from the members, the state and local employers, and investment earnings. In

fiscal year 1999, by statute, Group I members contributed 5.0% of gross earnings. Group II members contributed 9.3% of gross earnings. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the System's actuary using the open group aggregate funding method and are expressed as a percentage of gross payroll. The State's share represents 100% of the employer cost for all state employees, and 35% of the employer cost for teachers, firefighters, and police officers employed by political subdivisions. The state does not participate in funding the employer cost of other political subdivision employees.

The State's contributions to the plan for the years ending June 30, 1999, 1998, and 1997 were \$27.6 million, \$26.9 million, and \$21.0 million, respectively, which equals the required contributions for each year.

HEALTH CARE INSURANCE FOR RETIRED EMPLOYEES

In addition to providing pension benefits, RSA 21-I:30 specifies that the state provide certain health care insurance benefits for retired employees. These benefits include group hospitalization, hospital medical care, and surgical care. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the state and receive their pensions on a periodic basis rather than a lump sum. These and similar benefits for active employees are authorized by RSA 21-I:30 and provided through an insurance company whose premiums are based on the benefits paid during the year. The state recognizes the cost of providing these benefits by paying the entire annual insurance premiums, with minor contributions offset by members and a portion paid by the New Hampshire Retirement System's Group II medical premium subsidy. The state paid approximately \$20.9 million of annual insurance premiums for approximately 7,900 state retirees and covered dependents receiving a periodic pension benefit for the fiscal year ended June 30, 1999.

DEFERRED COMPENSATION PLAN

During fiscal 1999, the state amended its deferred compensation plan such that the plan's assets are now held in trust for the exclusive benefit of participants and their beneficiaries. In addition, the state is not actively involved in managing the plan's assets. Accordingly, under GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, the state eliminated from its agency fund the plan's assets and related liabilities, which amounted to \$118.1 million as of June 30, 1998.

COMPONENT UNITS

Eligible employees of the New Hampshire Retirement System and the Pease Development Authority participate in the PERS and additional disclosure about their participation is available in the NHRS audited financial statements. Employees of the New Hampshire Community Development Finance Authority, the Business Finance Authority, and the University System of New Hampshire are not members of the New Hampshire Retirement System, but participate in their own defined contribution plans.

12. SELECTED FINANCIAL INFORMATION**PRIMARY GOVERNMENT - SEGMENT INFORMATION**

Enterprise Fund segment information for the year ended June 30, 1999, is presented below (expressed in thousands):

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
Balance Sheet:				
Net Fixed Asset Additions	\$ 26,083	\$ 1,108	\$ 25	\$ 27,216
Net Working Capital	819	2,233	(44)	3,008
Total Assets	611,987	44,748	16,051	672,786
Long-Term Liabilities	370,107	2,232	299	372,638
Total Fund Equity	222,319	13,584		235,903
Statement of Revenues, Expenses and Changes in Retained Earnings:				
Operating Revenues	\$ 57,218	\$ 264,701	\$ 201,058	\$ 522,977
Cost of Sales and Services		191,676	116,413	308,089
Depreciation	9,264	906	101	10,271
Operating Income	26,163	51,738	63,144	141,045
Net Operating Transfers Out		68,250	64,579	132,829
Beer Tax Revenue		11,564		11,564
Net Income	14,011			14,011

COMPONENT UNITS - CONDENSED FINANCIAL INFORMATION

Component Unit condensed financial information for the year ended June 30, 1999, is presented below (expressed in thousands):

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	New Hampshire Retirement System	University System of New Hampshire	Totals
Condensed Balance Sheet:						
Current Assets	\$ 4,162	\$ 2,981	\$ 6,271	\$ 495,172	\$ 81,815	\$ 590,401
Amount Due from Primary Government ...			323			323
Property, Plant, and Equipment, Net	2,428	40	57,703		359,479	419,650
Total Assets	31,415	12,032	75,369	4,951,864	679,433	5,750,113
Current Liabilities	3,257	7,660	1,725	473,132	45,546	531,320
Amount Due to Primary Government			54,259		10,061	64,320
Long-Term Liabilities	22,893	1,951	1,784	201,513	153,229	381,370
Total Liabilities	26,150	9,611	57,768	674,645	208,836	977,010
Total Fund Equity ⁽¹⁾	5,265	2,421	17,601	4,277,219	470,597	4,773,103
Condensed Statement of Revenues, Expenses, and Changes in Retained Earnings or Fund Balance:⁽²⁾						
Operating Revenues	\$ 1,184	\$ 1,288	\$ 8,062			\$ 10,534
Operating Expenses	652	940	9,966			11,558
Depreciation	134	5	2,984			3,123
Operating Income (Loss)	532	348	(1,163)			(283)
Net Income (Loss)	66	348	(1,163)			(749)
Current Contributed Capital			4,096			4,096

⁽¹⁾ Total fund equity of the New Hampshire Retirement System comprises the following reserved account balances: Reserved for Pension Benefits of \$4,091,098 and Reserved for Post Retirement Medicaid Benefits of \$186,121.

⁽²⁾ The general purpose financial statements include a separate Combined Statement of Changes in Fund Balances and Combined Statement of Current Funds Revenues, Expenditures, and Other Changes for the University System of New Hampshire and a separate Combined Statement of Changes in Net Assets for the New Hampshire Retirement System.

13. CONTINGENT AND LIMITED LIABILITIES

PRIMARY GOVERNMENT

Bonds and First Mortgages: The state of New Hampshire is contingently liable, within statutory legal limits, for bonds sold by municipalities, school districts, and for first mortgages on industrial and recreational property that contain the guarantee of the state of New Hampshire. The following table shows the composition of the State's \$299.5 million of contingent liabilities and the statutory limits as of June 30, 1999 (expressed in thousands):

	Principal	Interest	Total
Water Pollution and Waste Disposal, RSA 485-A:7 (Legal Limit \$250.0 million - principal and interest)	\$ 89,487	\$ 31,010	\$ 120,497
Business Finance Authority, RSA 162-A:22 - Economic Development (Legal Limit \$95.0 million - principal only)	27,935	15,925	43,860
N.H. School Building Authority, RSA 195-C:2 (Legal Limit \$75.0 million - principal and interest)	42,072	14,823	56,895
Business Finance Authority, Ch 265, Laws of 1989, Ch 8, Laws of 1992, and Ch 257, Laws of 1996 - Manchester Airport (Legal Limit \$42.7 million - principal only)	39,405	37,202	76,607
Solid Waste Management, RSA 149-M:31 (Legal Limit \$30.0 million - principal and interest)	1,220	406	1,626
Total	\$ 200,119	\$ 99,366	\$ 299,485

The state of New Hampshire has a limited liability for the New Hampshire Housing Finance Authority and the New Hampshire Municipal Bond Bank. Both entities are required to maintain a bond reserve fund. A request for an appropriation may be submitted to the Legislature for a sum required to maintain the bond reserve fund at the established bond reserve fund requirements. Amounts so requested are subject to appropriation by the Legislature and do not constitute a debt of the state and no such appropriations have ever been requested.

Effective June 1, 1990, RSA 12-G:14 authorized the Pease Development Authority (PDA) to issue bonds for the development of the Pease Air Force Base. RSA 12-G:27 states that the Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50 million, plus interest. As of June 30, 1999, the state has issued \$38.6 million in general obligation bonds on behalf of PDA in lieu of a state guarantee, in accordance with RSA 12-G:27, III. The general obligation debt issued on behalf of PDA reduced the legal limit on debt guaranteed by the state to \$11.4 million at June 30, 1999.

Effective June 8, 1994, RSA 12-G:27 b authorized the Pease Development Authority (PDA) to issue bonds for the development of the former Pease Air Force Base subject to the approval by the Legislative Fiscal Committee of the comprehensive development plan prepared by the PDA. The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$60.0 million, plus interest.

Effective May 18, 1992, RSA 33:3 authorized state municipalities to issue Superfund Site Cleanup Bonds in order to pay all response costs associated with the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA). The Governor and Executive Council may award an unconditional state guarantee for the principal, not to exceed \$50 million, and interest.

Federal Grants: The state receives federal grants, which are subject to review and audit by the grantor agencies. Access to these resources is generally conditional upon compliance with terms and conditions of grant agreements and applicable regulations, including expenditure of resources for allowable purposes. Any disallowances resulting from the audit may become the liability of the state. The state estimates that the ultimate disallowance pertaining to these grants, if any, will be immaterial to its overall financial condition.

COMPONENT UNITS

The Community Development Finance Authority records liabilities payable from restricted assets of \$7.6 million. These liabilities relate to economic development projects for which pledges have been received by the authority. There is no guarantee that these projects will begin or be completed. In the event the project does not utilize the funding donated on its behalf, the funds are to be returned to the donor or the state at the discretion of the donor.

14. LEASE COMMITMENTS

The state has lease commitments for space requirements which are accounted for as operating leases. These leases, subject to continuing appropriation, extend forward a number of years and may contain rent escalation clauses and renewal options. Rent expenditures for fiscal year 1999 were approximately \$10.3 million. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of June 30, 1999 (expressed in thousands):

Payable June 30,	Amount
2000	\$ 7,217
2001	5,387
2002	3,825
2003	2,415
2004	1,559
Thereafter	2,337
Total	<u>\$ 22,740</u>

15. LITIGATION

Education

Claremont School District, et. al. v. Governor, et. al.

In June 1991 an action was commenced against the state by five school districts (the plaintiffs) who challenged the constitutionality of the state's statutory system of financing the operation of elementary and secondary public schools primarily through local property taxes. On December 17, 1997, the New Hampshire Supreme Court ruled in favor of the plaintiffs and found that property taxes in support of education are state taxes and that such taxes must be proportional and reasonable throughout the state, and that the current system failed to meet this standard. The Supreme Court further held that a constitutionally adequate public education is a fundamental right, and that the legislative and executive branches must develop and adopt specific criteria implementing appropriate guidelines for such an education. The Supreme Court stayed all proceedings in the case until the end of the 1998 legislative session and further court order, and held that the present education funding mechanism may remain in effect through the 1998 tax year (April 1, 1999). The Governor and the Legislature have since been working diligently in response to the court's decision. A plan which would have established and implemented new guidelines for a constitutionally adequate public education and which would have restructured the funding of such an education was proposed by the Governor, passed by the House, and sent by the Senate to the court for review. The court found the legislation's education plan commendable but its funding plan unconstitutional. On November 25, 1998, the Supreme Court denied, based on the pleadings before it, the state's motion to extend the effective date by two years to April 1, 2001.

On April 29, 1999, the state Legislature produced a law that determined the cost of delivering an adequate education for the biennium beginning July 1, 1999, and committed the expenditure of

that amount of money. Also included in this law are two study commissions: one charged with reviewing New Hampshire's tax structure and the other with reviewing the costs of an adequate education and special education, and the delivery of an adequate education. These commissions are currently holding regularly scheduled meetings and are expected to file their reports in a timely fashion.

In August 1999, the plaintiffs filed motions in the Supreme Court challenging various aspects of the new system. In October, the Supreme Court struck down the statewide property tax included in the funding plan. The court held that the phase-in of the tax in certain communities was unconstitutional. The court held that the plaintiffs' other claims were premature and dismissed them without prejudice. In November, the Legislature reenacted the statewide property tax without the phase-in. While the varied legislation provided for increased funding, significant shortfalls are expected beginning in fiscal year 2001. Further litigation is expected.

Tobacco

State of New Hampshire v. Phillip Morris et al.

On November 19, 1998, the New Hampshire Attorney General joined in a settlement agreement relative to the State's lawsuit against all major producers of cigarettes and smokeless tobacco, as well as industry trade associations. The state seeks restitution of monies spent by the state under Medicaid and other health care programs for treatment of smoking-related diseases and conditions. On December 11, 1998, the Merrimack County Superior Court approved a Consent Decree settling the state's claim against all defendants under the settlement. Starting in fiscal year 2000 the state expects to receive in excess of \$40 million escalating to \$50 million a year in perpetuity from the defendants.

PTI, Inc., et al. v. Phillip Morris, et al.

The state and the state's Attorney General have been named as defendants in a federal lawsuit filed in California by certain distributors, wholesalers, and importers of tobacco products against the National Association of Attorneys General (NAAG), and all signatories to the Tobacco Master Settlement Agreement (MSA) in *State of New Hampshire v. Phillip Morris et al.* The lawsuit alleges that the tobacco MSA has harmed the plaintiffs' business relationships and violates the federal antitrust law. The lawsuit further attacks as an unconstitutional bill of attainder the so-called Model Act (Chap. 0222 (1999)) under which certain nonparticipating manufacturers of cigarettes are required to pay moneys into an escrow fund to indemnify the state against costs of caring for indigent persons afflicted with smoking related diseases.

Relief sought in this lawsuit includes (i) avoidance of the MSA, including the rights of all states to payment by the tobacco industry under the MSA, (ii) an injunction against enforcement of the Model Act, and (iii) unspecified damages, including treble damages, under federal antitrust law, against the state and against the Attorney General in his personal capacity.

If successful, this lawsuit could compromise the stream of payments to which the state is entitled under the MSA, with a potential impact of \$50 million per year. The fiscal impact of any ruling invalidating the Model Act or assessing damages against the state or the Attorney General cannot be estimated.

The state was served with a summons on August 17, 1999. New Hampshire and the other defendants in the case filed motions to dismiss the actions in November, 1999. Those motions are pending. The state intends to vigorously contest this lawsuit. There is little or no likelihood of settlement. While the potential loss both in damages and income could exceed \$50 million per year in perpetuity, the Attorney General's Office considers such potential damages remote.

Interest and Dividends Tax

Smith, et al. v. Department of Revenue Administration

A consolidated action is pending against the New Hampshire Department of Revenue Administration in which taxpayers are challenging the constitutionality, under both the State and Federal Constitutions, of the interest and dividends tax law in effect from 1989 through June 30, 1994. On April 3, 1997, the New Hampshire Supreme Court ruled on several questions transferred to it by the Superior Court, relating primarily to the former exemptions in the law for interest paid by New Hampshire depository institutions and stock dividends paid by such institutions. (These exemptions were eliminated by statutory amendments effective January 1, 1995.) The state Supreme Court rejected the petitioners' argument that the classification of bank interest and stock bank dividends violated the State Constitution; it acknowledged the state's concession, however, that the commerce clause of the United States Constitution was violated by the challenged exemptions and remanded the case to the trial court to determine the scope of the violation and an appropriate remedy. The case is scheduled for trial in February, 2000, although the state has filed a motion to continue the trial until later in the year.

The petitioners contend that the scope of the discrimination covers nearly all other investments paying interest or dividends. If the petitioners' contention were to prevail, the state's potential exposure to refunds or other remedies in this case and all related matters, based upon timely claims for refunds filed with the state, would be approximately \$98.3 million, plus interest. The state contends that the scope of the commerce clause violation is limited to taxes attributable to interest and dividends received solely from out-of-state banks. In this event, the state's potential exposure is estimated to be approximately \$3 million, plus interest. In addition to determining the appropriate remedy, the trial court will also address the constitutionality of the tax exemption under the same law for interest on state and local municipal debt obligations. There is a range of possible remedies to be considered by the trial court, and while it is not yet possible to predict the outcome of the case, the outcome is unlikely to materially affect the financial position of the state.

Medicaid Reimbursement

New Hampshire Health Care Association v. Department of Health and Human Services

A declaratory judgment action brought by the Association on behalf of its member nursing facilities challenges the state's Medicaid nursing facility reimbursement system. The Association alleges that the state violated a settlement agreement by implementing the present system in March, 1999. The settlement agreement expired in June, 1999. Since filing, the plaintiffs have filed a further explanation of their claims, which suggests that they are also chal-

lenging the adequacy of rates under the state's existing Medicaid rate reimbursement system. An order in favor of the plaintiffs could result in a loss to the state in excess of \$2 million. It is impossible to predict the outcome of the case at this time.

The state, its agencies and employees are defendants in numerous other lawsuits challenging the state's method of including certain foreign income in determining the business profits tax and challenging the administration of the state's Medicaid program. Although the Attorney General is unable to predict the ultimate outcome of the majority of these suits, in the opinion of the Attorney General and the commissioner of the Department of Administrative Services, the likelihood of such litigation resulting, either individually or in the aggregate, in final judgments against the state which would materially affect its financial position is remote. Accordingly, no provision for such ultimate liability, if any, has been made in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

YEAR 2000 ISSUES - UNAUDITED

In October 1998, the Governmental Accounting Standards Board (GASB) issued Technical Bulletin 98-1 entitled, *Disclosures about Year 2000 Issues*. The provisions of the GASB technical bulletin, effective for financial statements on which the auditor's report is dated after October 31, 1998, require the state to make disclosures in the notes to the financial statements about its readiness in addressing year 2000 issues for its computer systems and other electronic equipment. In March 1999, GASB issued an amended Technical Bulletin, 99-1, allowing disclosure of year 2000 issues in required supplementary information or in the notes to the financial statements. Retroactive application was allowed.

The year 2000 issue is the result of shortcomings in electronic data-processing systems and other electronic equipment that may adversely affect operations in the year 1999 and beyond. State legislation (Chapter 255, Laws of 1998) requires state agencies to demonstrate adequate year 2000 compliance and to report their status on a quarterly basis. The Division of Information Technology Management within the Department of Administrative Services has provided guidance to agencies regarding industry accepted practices for completing their year 2000 projects.

The following stages have been identified as necessary to implement a year 2000 compliant system:

1. Awareness stage – encompasses establishing a budget and project plan for dealing with the year 2000 issue.
2. Assessment stage – when the organization begins the actual process of identifying all of its systems and individual components of the systems. An organization may decide to review all system components for year 2000 compliance or, through a risk analysis, identify only mission critical systems and equipment to check for compliance.
3. Remediation stage – when the organization actually makes changes to systems and equipment. This stage deals primarily with the technical issues of converting existing systems, or switching to compliant systems. During this stage, decisions are made on how to make the systems or processes year 2000 compliant and the required system changes are made.
4. Validation and Testing stage – when the organization validates and tests the changes made during the conversion process. The development of test data and test scripts, the running of test scripts, and the review of test results are crucial for this stage of the conversion process to be successful. If the testing results show anomalies, the tested area needs to be corrected and re-tested.

The state identified 313 business functions for evaluation of year 2000 compliance. Of these 313 business functions, 110 were classified as mission critical. The agencies were responsible for assessing the status of computer equipment and to replace or upgrade equipment as needed. Whenever possible, agencies received written assurance from vendors that systems were year 2000 compliant.

The State's year 2000 remediation efforts have been aimed primarily at ensuring unimpeded and uninterrupted operation, including tax collections, investment activities, and timely payment of its obligations. As of July, 1999, the state had validated 70% of the 313 business functions for proper operation into the year 2000. The remaining 30% of the functions were in other stages of completion.

As of June 30, 1999, the state had expended \$25.1 million on the Year 2000 project. An additional \$19.2 million had been spent on updating or replacing systems not specifically for year 2000. At that time, it was expected that an additional \$10.8 million would be spent prior to the completion of the Year 2000 project.

Management believes that the state has the correct plan in place and that the state will be able to process dates or date-related information correctly prior to, during, and after January 1, 2000. However, because of the unprecedented nature of the year 2000 issue, its effect and the success of the related remediation efforts cannot be fully determined until the year 2000 and thereafter. Consequently, management cannot guarantee that the state is or will be year 2000 ready, that the State's remediation efforts will be successful in whole or in part, or that parties with whom the state does business will be year 2000 ready.

COMBINING FINANCIAL STATEMENTS AND SCHEDULES

**SCHEDULE OF EXPENDITURES AT THE LEGAL LEVEL OF CONTROL - BUDGET AND ACTUAL -
BUDGETARY BASIS - GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	Budget	Actual	Variance
GENERAL GOVERNMENT			
Legislative Branch	\$ 10,089	\$ 9,596	\$ 493
Executive	2,760	2,398	362
Administrative Services	34,781	34,533	248
Secretary of state	3,072	2,257	815
Cultural Affairs	3,214	3,061	153
Revenue Administration	11,036	9,705	1,331
state Treasury	136,844	131,203	5,641
Board of Tax and Land Appeals	680	612	68
NH Retirement System	32,441	31,307	1,134
Pease Development Authority	6,523	981	5,542
Total	241,440	225,653	15,787
JUSTICE AND PUBLIC PROTECTION			
Supreme Court	50,389	49,250	1,139
Adjutant General	3,517	3,079	438
Agriculture	2,020	1,858	162
Justice Department	12,132	11,353	779
Bank Commission	2,023	1,661	362
Emergency Management	6,248	5,267	981
Pari-Mutuel Commission	2,001	1,745	256
Highway Safety	373	354	19
Insurance	3,745	3,552	193
Labor	4,502	4,089	413
Public Utilities Commission	6,955	6,187	768
Safety	56,673	52,003	4,670
Corrections	57,249	54,432	2,817
Judicial Council	13,493	11,742	1,751
Human Rights Commission	509	404	105
Other Boards and Commissions	1,451	1,114	337
Total	223,280	208,090	15,190
RESOURCE PROTECTION AND DEVELOPMENT			
Business Finance Authority	543		543
Resources and Economic Development	9,970	9,943	27
Environmental Services	40,479	35,048	5,431
Total	50,992	44,991	6,001
TRANSPORTATION			
Transportation	11,844	5,397	6,447
NH Port Authority	537	516	21
Total	12,381	5,913	6,468
HEALTH AND SOCIAL SERVICES			
Health and Human Services Commissioner	19,753	18,528	1,225
Office of Health Management	31,392	26,357	5,035
Children and Youth	74,266	72,534	1,732
Behavioral Health	74,765	74,383	382
Developmental Services	112,776	112,466	310
New Hampshire Hospital	39,478	38,388	1,090
Home for Elderly	7,008	6,939	69
New Hampshire Veterans Home	6,737	6,402	335
Veterans Council	275	225	50
Youth Development Services	13,560	11,984	1,576
Elderly and Adult Services	4,731	4,641	90
Other Boards and Commissions	2,875	2,305	570
Total	387,616	375,152	12,464
EDUCATION			
Post Secondary Education Commission	1,725	1,662	63
Department of Education	123,476	121,431	2,045
Post Secondary Technical Education	52,347	49,380	2,967
Police Standards and Training Council	2,707	2,412	295
University of New Hampshire	69,765	69,765	
Total	250,020	244,650	5,370
Total Expenditures	\$ 1,165,729	\$ 1,104,449	\$ 61,280

SPECIAL REVENUE FUNDS

Highway Fund: *Under the state Constitution, all revenues in excess of the necessary cost of collection and administration accruing to the state from motor vehicle registration fees, operators' licenses, gasoline road toll, or any other special charges or taxes with respect to the operation of motor vehicles or the sale or consumption of motor vehicle fuels are appropriated and used exclusively for the construction, reconstruction, and maintenance of public highways within this state, including the supervision of traffic thereon and for the payment of the interest and principal of bonds issued for highway purposes. All such revenues, together with federal grants-in-aid received by the state for highway purposes, are credited to the Highway Fund. While the principal and interest on state highway bonds are charged to the Highway Fund, the assets of this fund are not pledged to such bonds.*

Fish and Game Fund: *The operations of the state Fish and Game Department, including the operation of fish hatcheries, inland and marine fisheries, and wildlife areas, and functions related to law enforcement, land acquisition, and wildlife management and research, are financed through the Fish and Game Fund. Principal revenues of this fund include fees from fish and game licenses, the marine gas tax, penalties, and recoveries, and federal grants-in-aid related to fish and game management, all of which are appropriated annually by the Legislature for the use of the Fish and Game Department.*

Special Fund: *The state allocates to the Special Fund expenditures and revenues of programs that, by statute, operate primarily from specific program revenues or from federal grants-in-aid, including social services programs, education assistance programs, and the administrative expenses of the Department of Employment Security.*

COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Highway Fund	Fish and Game Fund	Special Fund	Totals
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 118,415	\$ 7,995		\$ 126,410
Receivables (Net of Allowances for Uncollectibles)	31,311	1,609	\$ 163,479	196,399
Due from Other Funds			27,488	27,488
Due from Component Units			5,935	5,935
Inventories	4,055	649	4,203	8,907
Loans Receivable			105,445	105,445
Total Assets	\$ 153,781	\$ 10,253	\$ 306,550	\$ 470,584
<u>LIABILITIES AND FUND EQUITY</u>				
LIABILITIES:				
Accounts Payable	\$ 19,861	\$ 470	\$ 91,182	\$ 111,513
Accrued Payroll	4,065	529	5,292	9,886
Due to Other Funds			12,209	12,209
Deferred Revenue	4,000		136,945	140,945
Total Liabilities	27,926	999	245,628	274,553
FUND EQUITY:				
Reserved for Encumbrances	142,517	629	47,080	190,226
Reserved for Inventories	4,055	649		4,704
Reserved for Unexpended Appropriations		3,312	13,842	17,154
Unreserved, Undesignated (Deficit)	(20,717)	4,664		(16,053)
Total Fund Equity	125,855	9,254	60,922	196,031
Total Liabilities and Fund Equity	\$ 153,781	\$ 10,253	\$ 306,550	\$ 470,584

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Highway Fund	Fish and Game Fund	Special Fund	Totals
REVENUES:				
Special Taxes			\$ 55,098	\$ 55,098
Business License Taxes	\$ 132,946		1,624	134,570
Non-Business License Taxes	50,979	\$ 6,731		57,710
Fees	15,235	986	23,173	39,394
Fines, Penalties, and Interest	668	117	971	1,756
Grants from Federal Government	112,565	4,175	651,326	768,066
Grants from Private and Local Sources	6,244	205	86,943	93,392
Interest, Premiums, and Discounts	5,171	363	4,233	9,767
Sale of Commodities	87	309	5,981	6,377
Sale of Services	6,897		490	7,387
Assessments	490		2,497	2,987
Grants from Other Agencies	653	638	494	1,785
Miscellaneous	4,116		11,967	16,083
Total Revenues	336,051	13,524	844,797	1,194,372
EXPENDITURES:				
Current:				
General Government			32,862	32,862
Administration of Justice and Public Protection	1,555		39,474	41,029
Resource Protection and Development		11,979	60,142	72,121
Transportation	195,814		294	196,108
Health and Social Services			803,629	803,629
Education			102,551	102,551
Debt Service	6,621	87	1,306	8,014
Capital Outlay	129,621	1,552	8,661	139,834
Total Expenditures	333,611	13,618	1,048,919	1,396,148
Excess (Deficiency) of Revenues Over Expenditures	2,440	(94)	(204,122)	(201,776)
OTHER FINANCING SOURCES (USES):				
Operating Transfers In		742	217,354	218,096
Operating Transfers Out	(1,484)		(17,454)	(18,938)
Other Financing (Uses)	(332)	(112)		(444)
Total Other Financing Sources (Uses)	(1,816)	630	199,900	198,714
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	624	536	(4,222)	(3,062)
Fund Balances - July 1	125,231	8,718	65,144	199,093
Fund Balances - June 30	\$ 125,855	\$ 9,254	\$ 60,922	\$ 196,031

**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AT THE LEGAL LEVEL OF CONTROL, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	Highway			Fish and Game	
	Budget	Actual	Variance	Budget	Actual
REVENUES:					
Special Taxes					
Business License Taxes	\$ 128,285	\$ 132,946	\$ 4,661		
Non-Business License Taxes	50,300	50,979	679	\$ 6,414	\$ 6,731
Fees	15,127	15,235	108	897	986
Fines, Penalties, and Interest	914	668	(246)	112	117
Grants from Federal Government	105,558	115,599	10,041	4,521	4,153
Grants from Private and Local Sources	7,122	8,568	1,446	229	215
Rents and Leases					
Interest, Premiums, and Discounts	4,500	5,171	671	314	363
Sale of Commodities	95	87	(8)	180	310
Sale of Services	21,483	18,294	(3,189)		
Assessments	411	490	79		
Grants from Other Agencies	699	668	(31)	531	515
Miscellaneous	186	5,969	5,783	1,666	2,340
Total Revenues	334,680	354,674	19,994	14,864	15,730
EXPENDITURES:					
General Government					
Executive					
Administrative Services					
Cultural Resources					
Total					
Administration of Justice and Public Protection					
Adjutant General					
Agriculture					
Justice Department					
Emergency Management					
Highway Safety					
Labor					
Safety	1,457	1,457			
Corrections Department					
Employment Security					
Total	1,457	1,457			
Resource Protection and Development					
Fish and Game Commission				16,455	15,026
Resources and Economic Development					
Environmental Services					
Total				16,455	15,026
Transportation					
Transportation	352,096	341,605	10,491		
NH Port Authority					
Total	352,096	341,605	10,491		
Health and Social Services					
Health and Human Services Commissioner					
Office of Health Management					
Children and Youth					
Transitional Assistance					
Behavioral Health					
Developmental Services					
NH Hospital					
Youth Development Services					
Elderly and Adult Services					
Total					

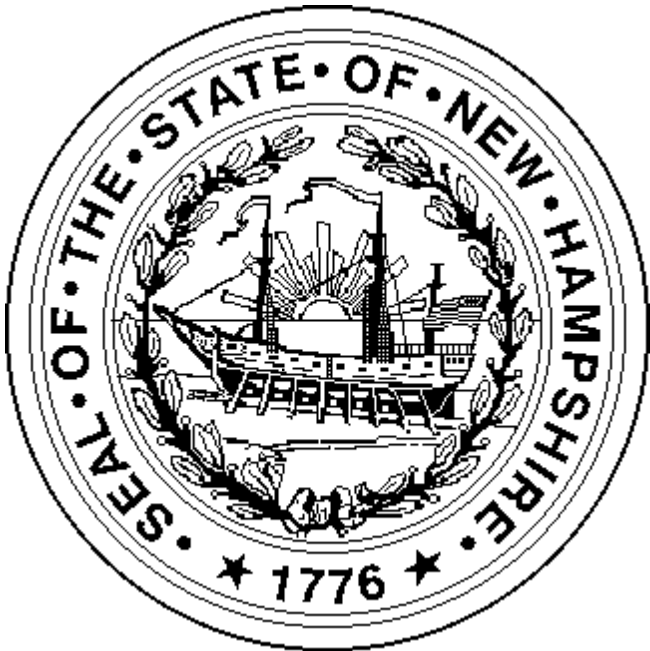
Special				TOTALS		
Variance	Budget	Actual	Variance	Budget	Actual	Variance
	\$ 55,100	\$ 55,098	\$ (2)	\$ 55,100	\$ 55,098	\$ (2)
	3,104	1,624	(1,480)	131,389	134,570	3,181
\$ 317				56,714	57,710	996
89	23,688	23,821	133	39,712	40,042	330
5	1,510	994	(516)	2,536	1,779	(757)
(368)	685,502	592,268	(93,234)	795,581	712,020	(83,561)
(14)	85,467	117,114	31,647	92,818	125,897	33,079
	34	196	162	34	196	162
49	4,225	4,950	725	9,039	10,484	1,445
130	6,159	6,344	185	6,434	6,741	307
	360	504	144	21,843	18,798	(3,045)
	2,588	2,483	(105)	2,999	2,973	(26)
(16)	8,192	7,413	(779)	9,422	8,596	(826)
674	21,923	13,119	(8,804)	23,775	21,428	(2,347)
866	897,852	825,928	(71,924)	1,247,396	1,196,332	(51,064)
	38,120	29,711	8,409	38,120	29,711	8,409
	1,060	791	269	1,060	791	269
	1,945	1,498	447	1,945	1,498	447
	41,125	32,000	9,125	41,125	32,000	9,125
	3,832	3,077	755	3,832	3,077	755
	320	196	124	320	196	124
	8,566	8,279	287	8,566	8,279	287
	8,387	7,540	847	8,387	7,540	847
	1,371	921	450	1,371	921	450
	28	28		28	28	
	2,339	2,243	96	3,796	3,700	96
	382	350	32	382	350	32
	29,005	22,280	6,725	29,005	22,280	6,725
	54,230	44,914	9,316	55,687	46,371	9,316
1,429				16,455	15,026	1,429
	20,070	18,536	1,534	20,070	18,536	1,534
	81,969	53,173	28,796	81,969	53,173	28,796
1,429	102,039	71,709	30,330	118,494	86,735	31,759
				352,096	341,605	10,491
	255	255		255	255	
	255	255		352,351	341,860	10,491
	175,823	170,768	5,055	175,823	170,768	5,055
	230,433	223,744	6,689	230,433	223,744	6,689
	23,399	22,261	1,138	23,399	22,261	1,138
	76,754	68,833	7,921	76,754	68,833	7,921
	28,036	18,780	9,256	28,036	18,780	9,256
	21,779	14,581	7,198	21,779	14,581	7,198
	2,823	2,778	45	2,823	2,778	45
	245	89	156	245	89	156
	240,166	221,832	18,334	240,166	221,832	18,334
	799,458	743,666	55,792	799,458	743,666	55,792

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**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AT THE LEGAL LEVEL OF CONTROL, AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - BUDGETARY BASIS - SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999 (CONTINUED)**
(Expressed in Thousands)

	Highway			Fish and Game	
	Budget	Actual	Variance	Budget	Actual
Education					
Post Secondary Education Commission					
Department of Education.....					
Police Standards and Training Council.....					
Total					
Total Expenditures	\$ 353,553	\$ 343,062	\$ 10,491	\$ 16,455	\$ 15,026
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	(18,873)	11,612	30,485	(1,591)	704
OTHER FINANCING SOURCES (USES):					
Operating Transfers In				742	742
Operating Transfers Out	(1,484)	(1,484)			
Total Other Financing Sources (Uses)	(1,484)	(1,484)		742	742
Excess (Deficiency) of Revenues					
and Other Sources Over (Under)					
Expenditures and Other Uses	(20,357)	\$ 10,128	\$ 30,485	(849)	\$ 1,446
Other Budget Items:					
Transfers from Available Funds	12,173			549	
Budget Lapses	8,184			300	
Net Budget	\$ -0-			\$ -0-	

Special				TOTALS		
Variance	Budget	Actual	Variance	Budget	Actual	Variance
	\$ 113	\$ 87	\$ 26	\$ 113	\$ 87	\$ 26
	114,900	90,219	24,681	114,900	90,219	24,681
	6,657	6,657		6,657	6,657	
	121,670	96,963	24,707	121,670	96,963	24,707
\$ 1,429	1,118,777	989,507	129,270	1,488,785	1,347,595	141,190
2,295	(220,925)	(163,579)	57,346	(241,389)	(151,263)	90,126
	215,993	215,993		216,735	216,735	
	(17,454)	(17,454)		(18,938)	(18,938)	
	198,539	198,539		197,797	197,797	
\$ 2,295	(22,386)	\$ 34,960	\$ 57,346	(43,592)	\$ 46,534	\$ 90,126
	4,122			16,844		
	18,264			26,748		
\$ -0-				\$ -0-		



ENTERPRISE FUNDS

Turnpike System: *The state constructs, maintains, and operates transportation toll facilities. The Legislature has established a 10-year state highway construction and reconstruction plan and authorized major expansion and improvement projects as part of a Capital Improvement Program. These include a partial circumferential highway around the City of Nashua and other projects that will provide major improvements to the Central Turnpike from Bedford to Nashua and include new interchanges, widening, and a toll plaza. Additional projects are planned that will provide safety improvements to the existing Turnpike System and increase the Turnpike System's capacity.*

Liquor Commission: *Receipts from operations of the Liquor Commission are transferred to the General Fund on a daily basis. The General Fund advances cash to the Liquor Commission for the purchase of liquor inventory. By statute, all liquor and beer sold in the state must be sold through a sales and distribution system operated by the state Liquor Commission, comprising three members appointed by the Governor with the consent of the Executive Council. The Commission makes all liquor purchases directly from the manufacturers and importers and operates state liquor stores in cities and towns that accept the provisions of the local option law. The Commission is authorized to lease and equip stores, warehouses, and other merchandising facilities for liquor sales, to supervise the construction of state-owned liquor stores at various locations in the state, and to sell liquor through retail outlets as well as direct sales to restaurants, hotels, and other organizations. The Commission also charges permit and license fees for the sale of beverages through private distributors and retailers and an additional fee of 30 cents per gallon on beverages sold by such retailers.*

Sweepstakes Commission: *The state sells lottery games through some 1,350 agents, including state liquor stores, licensed racetracks, and private retail outlets. Through the sale of lottery tickets, revenue is generated for prize payments and commission expenses, with the net income used for aid to education. This net income is transferred to the Department of Education in the General Fund and then transferred to the local school districts.*

COMBINING BALANCE SHEET
ENTERPRISE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
<u>ASSETS</u>				
Current Assets:				
Cash and Cash Equivalents	\$ 4,678	\$ 1,640	\$ 15,033	\$ 21,351
Receivables (Net of Allowances for Uncollectibles)	2,793	3,429	211	6,433
Due From Other Funds		8,358		8,358
Inventories	749	17,738	462	18,949
Other Assets			2	2
Total Current Assets	8,220	31,165	15,708	55,093
Restricted Assets:				
Cash and Cash Equivalents	2,887			2,887
Investments	104,404			104,404
Total Restricted Assets	107,291			107,291
Deferred Charges	3,417			3,417
Fixed Assets:				
Land	87,097	2,055		89,152
Land Improvements		625		625
Buildings	2,927	13,109		16,036
Building Improvements		1,177		1,177
Equipment	14,341	6,605	859	21,805
Construction in Progress	107,510			107,510
Infrastructure	403,551			403,551
Less: Allowance for Depreciation and Amortization	(122,367)	(9,988)	(516)	(132,871)
Net Fixed Assets	493,059	13,583	343	506,985
Total Assets	\$ 611,987	\$ 44,748	\$ 16,051	\$ 672,786
<u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts Payable	\$ 2,408	\$ 26,125	\$ 616	\$ 29,149
Accrued Payroll	561	1,039	129	1,729
Due to Other Funds			8,579	8,579
Deferred Revenue		1,768	986	2,754
Unclaimed Prizes			5,442	5,442
Other Liabilities	259			259
General Obligation Bonds Payable - Current	4,173			4,173
Total Current Liabilities	7,401	28,932	15,752	52,085
Current Liabilities Payable from Restricted Assets:				
Revenue Bonds Payable	6,645			6,645
Accrued Interest Payable	5,515			5,515
Total Current Liabilities Payable from Restricted Assets	12,160			12,160
Noncurrent Liabilities:				
General Obligation Bonds Payable	30,413			30,413
Revenue Bonds Payable (Net of Unamortized Discount)	337,931			337,931
Compensated Absences and Accrued Employee Benefits	1,763	2,232	299	4,294
Total Noncurrent Liabilities	370,107	2,232	299	372,638
Total Liabilities	389,668	31,164	16,051	436,883
Fund Equity:				
Contributions from Other Funds		13,584		13,584
Contributed Capital (Net of Amortization)	36,111			36,111
Retained Earnings	186,208			186,208
Total Fund Equity	222,319	13,584		235,903
Total Liabilities and Fund Equity	\$ 611,987	\$ 44,748	\$ 16,051	\$ 672,786

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Totals
OPERATING REVENUES:				
Charges for Sales and Services	\$ 57,218	\$ 264,701	\$ 201,058	\$ 522,977
OPERATING EXPENSES:				
Cost of Sales and Services		191,676	116,413	308,089
Personnel Services	7,270	12,245	1,673	21,188
Supplies and Materials	602	370	20	992
Communication Services	41	290	72	403
Travel	17	105	43	165
Printing and Binding		125	1,459	1,584
Advertising	7	753	1,798	2,558
Commissions			14,926	14,926
Heat, Lights, and Power	983	731		1,714
Rent	159	1,371	305	1,835
Repairs	4,782	596		5,378
Payroll Benefits	2,813	2,831	590	6,234
Indirect Costs	808	286	29	1,123
Enforcement	3,198		262	3,460
Miscellaneous	1,111	678	223	2,012
Depreciation	9,264	906	101	10,271
Total Operating Expenses	31,055	212,963	137,914	381,932
Operating Income	26,163	51,738	63,144	141,045
NONOPERATING REVENUES (EXPENSES):				
Licenses		2,976		2,976
Beer Taxes		11,564		11,564
Interest Revenue	1,946		1,435	3,381
Miscellaneous	(735)	1,972		1,237
Interest on Bonds	(13,013)			(13,013)
Amortization of Bond Issuance Costs	(350)			(350)
Total Nonoperating Revenues (Expenses)	(12,152)	16,512	1,435	5,795
Income Before Operating Transfers	14,011	68,250	64,579	146,840
Operating Transfers:				
To General Fund		(68,250)	(64,579)	(132,829)
Net Income	14,011	-0-	-0-	14,011
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction Reducing Contributed Capital	807			807
Increase in Retained Earnings	14,818	-0-	-0-	14,818
Retained Earnings - July 1	171,390	-0-	-0-	171,390
Retained Earnings - June 30	\$ 186,208	\$ -0-	\$ -0-	\$ 186,208

COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Turnpike System	Liquor Commission	Sweepstakes Commission	Total
Cash Flows from Operating Activities:				
Operating Income	\$ 26,163	\$ 51,738	\$ 63,144	\$ 141,045
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	9,264	906	101	10,271
Amortization of Bond Issuance Costs	350			350
Change in Operating Assets and Liabilities:				
(Increase)Decrease in Receivables	(1,512)	(486)	1,470	(528)
(Increase)Decrease in Inventories	(749)	2,446	255	1,952
Increase in Accounts Payable and Other Accruals	837	7,440	882	9,159
Increase (Decrease) in Deferred Revenue		91	(105)	(14)
Net Cash Provided by Operating Activities	34,353	62,135	65,747	162,235
Cash Flows from Noncapital Financing Activities:				
Transfers to Other Funds		(79,515)	(58,505)	(138,020)
Proceeds from Collection of License Fees and Beer Taxes		14,540		14,540
Net Cash (Used for) Noncapital Financing Activities		(64,975)	(58,505)	(123,480)
Cash Flows from Capital and Related Financing Activities:				
Acquisition, Disposal and Construction of Capital Assets	(30,820)	(2,014)	(125)	(32,959)
Proceeds from Bond Issues	94,626			94,626
Increase in Contributed Capital	333			333
Interest Paid on Revenue and General Obligation Bonds	(18,550)			(18,550)
Principal Paid on Revenue and General Obligation Bonds	(11,098)			(11,098)
Defeasance of Revenue Bonds	(6,495)			(6,495)
Contributions from Other Funds		1,108		1,108
Net Cash Provided by (Used for) Capital and Related Financing Activities	27,996	(906)	(125)	26,965
Cash Flows from Investing Activities:				
Purchase of Investments	(98,101)			(98,101)
Proceeds from Maturities of Investments	25,197			25,197
Interest and Other Income	2,721	2,885	1,435	7,041
Net Cash Provided by Investing Activities	(70,183)	2,885	1,435	(65,863)
Net Increase (Decrease) in Cash and Cash Equivalents	(7,834)	(861)	8,552	(143)
Cash and Cash Equivalents - July 1	15,399	2,501	6,481	24,381
Cash and Cash Equivalents - June 30	\$ 7,565	\$ 1,640	\$ 15,033	\$ 24,238

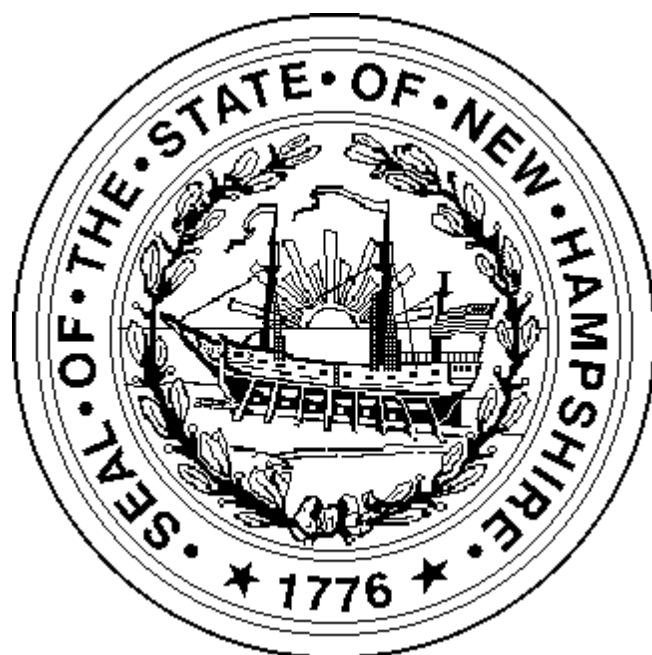
TRUST AND AGENCY FUNDS

Expendable Trusts: *An expendable trust is created when both the principal and the earnings of the fund can be expended to achieve the objectives of the fund. The State's Unemployment Compensation Trust Fund is the major component of the State's expendable trust funds.*

Nonexpendable Trusts: *The nonexpendable trusts account for assets received and expended by the state as the trustee. The principal of the funds is nonexpendable, whereas the earnings on the principal are used to support the individual fund's purpose.*

Investment Trust Fund: *The investment trust fund represents the external portion of the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP has been established, in accordance with RSA 383:22-24, for the purpose of investing funds of the state of New Hampshire, funds under the custody of all governmental units, pooled risk management programs established pursuant to RSA 5-B, agencies, authorities, commissions, boards, political subdivisions, and all other public units within, or instrumentalities of the state of New Hampshire. In accordance with GAAP, the external portion of the NHPDIP is reported as an investment trust fund in the Trust and Agency Funds using the economic resources measurement focus and accrual basis of accounting. The internal portion of the pool is reported in the general fund.*

Agency Funds: *Assets received by the state as an agent for other governmental units, other organizations, or individuals are accounted for as agency funds. Payroll taxes collected on behalf of the federal government and employee voluntary deductions for deposit to the State's deferred compensation plan are two of the larger agency funds of the state.*



**COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS
JUNE 30, 1999
(Expressed in Thousands)**

	Expendable Trust Funds	Non- Expendable Trust Funds	Investment Trust Fund	Agency Funds	Totals
<u>ASSETS</u>					
Cash and Cash Equivalents	\$ 895	\$ 796		\$ 7,980	\$ 9,671
Investments	305,066	13,975	\$ 260,753	108,317	688,111
Inventories	74				74
Receivables (Net of Allowances for Uncollectibles)	7,194		137		7,331
Due from Other Funds		193			193
Total Assets	\$ 313,229	\$ 14,964	\$ 260,890	\$ 116,297	\$ 705,380
<u>LIABILITIES AND FUND EQUITY</u>					
LIABILITIES:					
Due to Other Funds		\$ 79			\$ 79
Due to Other Taxing Units				\$ 26	26
Due to Component Units				323	323
Custodial Funds Payable	\$ 116			115,948	116,064
Payment Due Other Jurisdictions	4,419		\$ 112		4,531
Total Liabilities	4,535	79	112	116,297	121,023
FUND EQUITY:					
Reserved for Unemployment Compensation Benefits	304,306				304,306
Reserved for Various Trust Funds	4,388	14,885			19,273
Reserved for External Investment Pool Participants			260,778		260,778
Total Fund Equity	308,694	14,885	260,778		584,357
Total Liabilities and Fund Equity	\$ 313,229	\$ 14,964	\$ 260,890	\$ 116,297	\$ 705,380

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
<u>PAYROLL TAXES AND FRINGE BENEFITS</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 28	\$ 594	\$ 596	\$ 26
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 28	\$ 594	\$ 596	\$ 26
<u>DEFERRED COMPENSATION WITHHOLDING</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 1	\$ 9,264	\$ 9,263	\$ 2
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 1	\$ 9,264	\$ 9,263	\$ 2
<u>UNIFIED COURT SYSTEM</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 4,332	\$ 10,463	\$ 10,666	\$ 4,129
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 4,332	\$ 10,463	\$ 10,666	\$ 4,129
<u>CHILD SUPPORT FUND</u>				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 987	\$ 75,389	\$ 74,273	\$ 2,103
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 987	\$ 75,389	\$ 74,273	\$ 2,103
<u>NUCLEAR DECOMMISSIONING</u>				
<u>ASSETS</u>				
Investments	\$ 82,630	\$ 22,357	\$ 2,510	\$ 102,477
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 82,630	\$ 22,357	\$ 2,510	\$ 102,477

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES (CONTINUED)
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Balance July 1, 1998	Additions	Deductions	Balance June 30, 1999
MAINE - NEW HAMPSHIRE BRIDGE AUTHORITY				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 388		\$ 152	\$ 236
Investments	5,137	\$ 490	416	5,211
Total Assets	\$ 5,525	\$ 490	\$ 568	\$ 5,447
<u>LIABILITIES</u>				
Custodial Funds Payable	\$ 5,525	\$ 490	\$ 568	\$ 5,447
MISCELLANEOUS AGENCY FUNDS				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 646	\$ 9,149	\$ 8,311	\$ 1,484
Investments	882	84	337	629
Total Assets	\$ 1,528	\$ 9,233	\$ 8,648	\$ 2,113
<u>LIABILITIES</u>				
Due to Component Units	\$ 604		\$ 281	\$ 323
Custodial Funds Payable	924	\$ 9,233	8,367	1,790
Total Liabilities	\$ 1,528	\$ 9,233	\$ 8,648	\$ 2,113
TOTALS - AGENCY FUNDS				
<u>ASSETS</u>				
Cash and Cash Equivalents	\$ 6,382	\$ 104,859	\$ 103,261	\$ 7,980
Investments	88,649	22,931	3,263	108,317
Total Assets	\$ 95,031	\$ 127,790	\$ 106,524	\$ 116,297
<u>LIABILITIES</u>				
Due to Other Taxing Units	\$ 28	\$ 594	\$ 596	\$ 26
Due to Component Units	604		281	323
Custodial Funds Payable	94,399	127,196	105,647	115,948
Total Liabilities	\$ 95,031	\$ 127,790	\$ 106,524	\$ 116,297

TRANSFERS SCHEDULE
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)

	Transfers In					
	Special Revenue Funds				Capital Projects Fund	Combined Totals
	General Fund	Fish and Game Fund	Special Fund	Totals		
Transfers Out:						
General Fund			\$ 217,354	\$ 217,354	\$ 8,209	\$ 225,563
Special Revenue Funds:						
Highway Fund	\$ 742	\$ 742		742		1,484
Special Fund	17,454					17,454
Total Special Revenue Funds	18,196	742		742		18,938
Capital Projects Fund	1,594					1,594
Subtotal	19,790	742	217,354	218,096	8,209	246,095
Enterprise Funds:						
Liquor Commission	68,250					68,250
Sweepstakes Commission	64,579					64,579
Total Enterprise Funds	132,829					132,829
Combined Totals	\$ 152,619	\$ 742	\$ 217,354	\$ 218,096	\$ 8,209	\$ 378,924

In addition, the General Fund and the Capital Fund made operating transfers of \$ 68.5 million and \$2.7 million, respectively, to the Component Units - College and University Funds.

COMPONENT UNITS

Business Finance Authority - (BFA): *The BFA was established to provide preservation, establishment, and redevelopment of business and industry for the betterment of the economy of the state and its inhabitants, create or preserve employment opportunities, protect the physical environment, preserve or increase the social welfare or economic prosperity of the state or its political subdivisions, and promote the general welfare of the State's citizens. The BFA accomplishes its purposes through various loan programs it offers to the State's businesses and industries. Operations are funded primarily through bond service charge fees and rental income from a building located at an industrial park.*

Pease Development Authority - (PDA): *The PDA, successor to the Pease Redevelopment Commission (PRC), was established to implement the PRC's comprehensive plan for the conversion and redevelopment of the Pease International Tradeport. The guiding principles of the plan were job creation, fiscal viability, economic development, and environmental quality. Operations are funded primarily through facility lease income, airport joint use income, and golf course revenues.*

The Community Development Finance Authority - (CDFA): *The CDFA was established to provide financial and technical assistance to community based housing and economic development projects. The CDFA charges fees to donee organizations based upon the fair value of property conveyed to the CDFA. The CDFA also distributes pledges it receives to the respective economic development organizations and charges a fee which ranges from 15 to 20 percent of the pledges for managing the program. Operations are financed primarily through these fees.*

University System of New Hampshire: *The University System was established to provide the residents of the state with a well coordinated system of public higher education offering the arts and sciences, and the professional and technical 2-year, 4-year, and graduate programs that serve the needs of the state and the Nation. In addition, the University System of New Hampshire generates research that contributes to the welfare of humanity, to the development of faculty, and to the educational experiences of students and provides educational resources and professional expertise to benefit the state and its people.*

New Hampshire Retirement System: *The New Hampshire Retirement System is the administrator of a cost-sharing multiple-employer contributory pension plan and trust established on July 1, 1967, and is intended for all time to meet the requirements of a qualified tax-exempt organization within the meaning of section 401(a) and section 501(a) of the United States Internal Revenue Code. Participating employers include the employees of the state government of New Hampshire, certain cities and towns, all counties, and various school districts.*

COMBINING BALANCE SHEET
COMPONENT UNITS
JUNE 30, 1999
(Expressed in Thousands)

	College and University Funds	Pension Trust Funds	Enterprise Funds	Totals
<u>ASSETS</u>				
Cash, Cash Equivalents, and Short-term Investments	\$ 64,478	\$ 455,049	\$ 6,546	\$ 526,073
Receivables:				
Accounts (Net of Allowances For Uncollectibles)	13,397		3,386	16,783
Accrued Interest and Dividends		14,422		14,422
Contributions and Other		22,835		22,835
Notes Receivable (Net of Allowances For Uncollectibles)	20,877		2,767	23,644
Investments	214,753	4,457,669	581	4,673,003
Restricted Assets:				
Cash and Cash Equivalents			8,852	8,852
Investments			9,841	9,841
Due from Primary Government			323	323
Receivables			13,834	13,834
Total Restricted Assets			32,850	32,850
Fixed Assets, Net	359,479		60,171	419,650
Other Assets	6,449	1,889	12,515	20,853
Total Assets	\$ 679,433	\$ 4,951,864	\$ 118,816	\$ 5,750,113
<u>LIABILITIES AND FUND EQUITY</u>				
Accounts Payable	\$ 20,179		\$ 645	\$ 20,824
Accrued Payroll	9,088		27	9,115
Deferred Revenue	16,279		271	16,550
Current Portion of Bonds Payable			900	900
Other Current Liabilities			574	574
Current Liabilities Payable from Restricted Assets			10,225	10,225
Bonds Payable			20,651	20,651
Due to Primary Government	10,061		54,259	64,320
Long-term Debt	96,630			96,630
Compensated Absences and Accrued Employee Benefits	56,599			56,599
Mortgage Notes Payable		\$ 201,513		201,513
Management Fees and Other Payables		473,132		473,132
Advances from Tenant			431	431
Other Noncurrent Liabilities			5,546	5,546
Total Liabilities	208,836	674,645	93,529	977,010
Fund Equity:				
Contributed Capital			27,997	27,997
Retained Deficit			(2,710)	(2,710)
Fund Balances:				
College and University Fund Balances	470,597			470,597
Reserved for Pension Benefits		4,091,098		4,091,098
Reserved for Post Retirement Medical Benefits		186,121		186,121
Total Fund Equity	470,597	4,277,219	25,287	4,773,103
Total Liabilities and Fund Equity	\$ 679,433	\$ 4,951,864	\$ 118,816	\$ 5,750,113

COMBINING BALANCE SHEET
COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Current Funds	Loan Funds	Endowment And Similar Funds	Plant Funds	Totals
<u>ASSETS</u>					
Cash, Cash Equivalents, and Short-term Investments	\$ 39,188	\$ 1,124	\$ 2,065	\$ 22,101	\$ 64,478
Accounts Receivable (Net of Allowances For Uncollectibles) ..	13,003			394	13,397
Prepaid Expenses	3,940				3,940
Notes Receivable (Net of Allowances For Uncollectibles)		20,877			20,877
Investments	53,924		155,930	4,899	214,753
Fixed Assets, Net				359,479	359,479
Other Assets	848			1,661	2,509
Interfund Balances, Net	6,934			(6,934)	
Total Assets	\$ 117,837	\$ 22,001	\$ 157,995	\$ 381,600	\$ 679,433
<u>LIABILITIES AND FUND BALANCES</u>					
Accounts Payable	\$ 13,132		\$ 1,919	\$ 5,128	\$ 20,179
Accrued Payroll	9,088				9,088
Deposits and Deferred Revenues	16,276			3	16,279
Due to Primary Government				10,061	10,061
Long-term Debt				96,630	96,630
Compensated Absences and Accrued Employee Benefits	56,599				56,599
Total Liabilities	95,095		1,919	111,822	208,836
Fund Balances:					
Current Funds:					
Unrestricted	8,505				8,505
Restricted	14,237				14,237
Loan Funds:					
U.S. Government Grants		\$ 16,555			16,555
Restricted		4,024	732		4,756
Unrestricted		1,422	1,326		2,748
Endowment and Similar Funds:					
Endowment, Primarily Restricted			115,082		115,082
Funds Functioning as Endowment - Unrestricted			7,096		7,096
Funds Functioning as Endowment - Restricted			10,831		10,831
Held in Trust by Others			17,972		17,972
Life Income and Annuity Funds			3,037		3,037
Plant Funds:					
Investment in Plant				248,592	248,592
Unexpended				21,186	21,186
Total Fund Balances	22,742	22,001	156,076	269,778	470,597
Total Liabilities and Fund Balances	\$ 117,837	\$ 22,001	\$ 157,995	\$ 381,600	\$ 679,433

COMBINING STATEMENT OF PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
JUNE 30, 1999
(Expressed in Thousands)

	Pension Plan	Post Retirement Medical Plan	Total Plan
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 44	\$ 2	\$ 46
Cash Collateral on Security Lending	435,120	19,883	455,003
Total Cash	435,164	19,885	455,049
Receivables:			
Due from Employers	3,894	136	4,030
Due from state	7,353	113	7,466
Due from Plan Members	6,458		6,458
Due from Postretirement Medical Plan	249		249
Interest and Dividends	13,792	630	14,422
Other	4,430	202	4,632
Total Receivables	36,176	1,081	37,257
Investments at Fair Value:			
Equity Investments:			
Domestic	2,154,790	98,463	2,253,253
International	366,481	16,746	383,227
Fixed Income Investments:			
Domestic	772,917	35,318	808,235
Global	157,079	7,178	164,257
Commercial Real Estate	490,093	22,395	512,488
Timberfunds	111,589	5,099	116,688
Alternative Investments	207,188	9,467	216,655
Temporary Investments	2,741	125	2,866
Total Investments	4,262,878	194,791	4,457,669
Other Assets	1,806	83	1,889
Total Assets	4,736,024	215,840	4,951,864
<u>LIABILITIES</u>			
Securities Lending Collateral	435,120	19,883	455,003
Contributions Due to Pension Plan		249	249
Management Fees and Other Payables	16,036	733	16,769
Funds Held in Escrow	1,062	49	1,111
Mortgage Notes Payable	192,708	8,805	201,513
Total Liabilities	644,926	29,719	674,645
Net Assets Held in Trust for Benefits	\$ 4,091,098	\$ 186,121	\$ 4,277,219

**COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
COMPONENT UNITS - PENSION TRUST FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	Pension Plan	Post Retirement Medical Plan	Total Plan
ADDITIONS:			
Contributions:			
Employer	\$ 46,810	\$ 2,271	\$ 49,081
State Contributions on Behalf of Local Employers	11,373	888	12,261
Total Employer Contributions	58,183	3,159	61,342
Plan Member	81,566		81,566
Post Retirement Medical Plan Contributions on Behalf of Employers ..	3,159		3,159
Total Contributions	142,908	3,159	146,067
Investment Income:			
From Investment Activities:			
Net Appreciation in Fair Value of Investments	389,626	17,997	407,623
Interest	55,645	2,570	58,215
Dividends	31,601	1,460	33,061
Timberfund Income (Loss)	(587)	(27)	(614)
Alternative Investment Income	2,079	96	2,175
Commercial Real Estate Operating Income	54,105	2,499	56,604
Total Income from Investing Activities	532,469	24,595	557,064
Less: Investment Activity Expenses:			
Investment Management Fees	20,447	944	21,391
Commercial Real Estate Operating Expense	28,060	1,296	29,356
Custodial Fees	890	41	931
Investment Advisor Fees	555	26	581
Total Investment Activity Expenses	49,952	2,307	52,259
Total Net Income from Investing Activities	482,517	22,288	504,805
From Securities Lending Activities:			
Security Lending Income	23,604	1,090	24,694
Less: Security Lending Borrower Rebates	21,309	984	22,293
Less: Security Lending Management Fees	688	32	720
Net Income from Securities Lending Activities	1,607	74	1,681
Total Net Investment Income	484,124	22,362	506,486
Administrative Assessment	4,159	192	4,351
Other	216	10	226
Total Additions	631,407	25,723	657,130
DEDUCTIONS:			
Benefits	156,436	5,147	161,583
Refunds of Contributions	17,411		17,411
Administrative Expense	3,218	149	3,367
Post Retirement Medical Plan Contributions to Pension Plan on Behalf of Employers		3,159	3,159
Professional Fees	600	27	627
Other	206	10	216
Total Deductions	177,871	8,492	186,363
Net Asset Transfers	(36,100)	36,100	
Net Increase	417,436	53,331	470,767
NET ASSETS HELD IN TRUST FOR BENEFITS:			
Beginning of the Year	3,673,662	132,790	3,806,452
End of the Year	\$ 4,091,098	\$ 186,121	\$ 4,277,219

COMBINING BALANCE SHEET
COMPONENT UNITS - ENTERPRISE FUNDS
JUNE 30, 1999
(Expressed in Thousands)

<u>ASSETS</u>	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
Current Assets:				
Cash and Cash Equivalents	\$ 2,033	\$ 1,200	\$ 3,313	\$ 6,546
Investments		581		581
Receivables (Net of Allowances for Uncollectibles)	164	349	2,873	3,386
Notes Receivable	1,965	802		2,767
Other Assets		49	85	134
Total Current Assets	4,162	2,981	6,271	13,414
Restricted Assets:				
Cash and Cash Equivalents	7,874		978	8,852
Investments	6,274	3,567		9,841
Due from Primary Government			323	323
Receivables		3,996	9,838	13,834
Total Restricted Assets	14,148	7,563	11,139	32,850
Fixed Assets:				
Buildings and Building Improvements	4,108		64,482	68,590
Land and Land Improvements		28		28
Equipment	75	45	2,332	2,452
Construction-in-Progress			232	232
Less: Allowance for Depreciation and Amortization	(1,755)	(33)	(9,343)	(11,131)
Net Fixed Assets	2,428	40	57,703	60,171
Other Assets:				
Loans and Pledges Receivable	10,424	1,448		11,872
Other	253		256	509
Total Other Assets	10,677	1,448	256	12,381
Total Assets	\$ 31,415	\$ 12,032	\$ 75,369	\$ 118,816
<u>LIABILITIES AND FUND EQUITY</u>				
Current Liabilities:				
Accounts Payable	\$ 55	\$ 24	\$ 566	\$ 645
Accrued Payroll		27		27
Deferred Revenue			271	271
Current Portion of Bonds Payable	900			900
Other Current Liabilities	249	47	278	574
Total Current Liabilities	1,204	98	1,115	2,417
Current Liabilities Payable from Restricted Assets	2,053	7,562	610	10,225
Noncurrent Liabilities:				
Bonds Payable	20,651			20,651
Due to Primary Government			54,259	54,259
Advances from Tenant			431	431
Other Noncurrent Liabilities	2,242	1,951	1,353	5,546
Total Noncurrent Liabilities	22,893	1,951	56,043	80,887
Total Liabilities	26,150	9,611	57,768	93,529
Fund Equity (Deficit):				
Contributed Capital			27,997	27,997
Retained Earnings (Deficit):				
Reserved	4,446	1,058		5,504
Unreserved	819	1,363	(10,396)	(8,214)
Total Retained Earnings (Deficit)	5,265	2,421	(10,396)	(2,710)
Total Fund Equity	5,265	2,421	17,601	25,287
Total Liabilities and Fund Equity	\$ 31,415	\$ 12,032	\$ 75,369	\$ 118,816

**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS -
 COMPONENT UNITS - ENTERPRISE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 1999
 (Expressed in Thousands)**

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
OPERATING REVENUES:				
Charges for Sales and Services	\$ 1,184	\$ 656	\$ 8,062	\$ 9,902
Interest and Earning on Investments		452	741	1,193
Other		180		180
Total Operating Revenue	1,184	1,288	8,803	11,275
OPERATING EXPENSES:				
Personnel Services	323	234	2,356	2,913
Advertising		12	450	462
Miscellaneous	195	689	4,176	5,060
Depreciation and Amortization	134	5	2,984	3,123
Total Operating Expenses	652	940	9,966	11,558
Operating Income (Loss)	532	348	(1,163)	(283)
NONOPERATING REVENUES (EXPENSES):				
Interest Income	1,788			1,788
Interest Expense	(1,667)			(1,667)
Miscellaneous	(587)			(587)
Total Nonoperating Revenues (Expenses)	(466)			(466)
Net Income (Loss)	66	348	(1,163)	(749)
Add: Depreciation on Fixed Assets Acquired by Grants and Entitlements Externally Restricted for Capital Acquisitions and Construction that Reduces Contributed Capital			1,405	1,405
Increase in Retained Earnings	66	348	242	656
Retained Earnings (Deficit) - July 1	5,199	2,073	(10,638)	(3,366)
Retained Earnings (Deficit) - June 30	\$ 5,265	\$ 2,421	\$ (10,396)	\$ (2,710)

**COMBINING STATEMENT OF CASH FLOWS - COMPONENT UNITS - ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999
(Expressed in Thousands)**

	Business Finance Authority	Community Development Finance Authority	Pease Development Authority	Totals
Cash Flows from Operating Activities:				
Operating Income (Loss)	\$ 532	\$ 348	\$ (1,163)	\$ (283)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:				
Depreciation and Amortization	134	5	2,984	3,123
Change in Operating Assets and Liabilities:				
(Increase) Decrease in Receivables	(585)	1,974	632	2,021
(Increase) Decrease in Notes and Loans Receivable	(2,485)	(23)		(2,508)
(Increase) in Other Assets	2	4		6
Increase (Decrease) in Accounts Payable and Other Accruals	142	(2,513)	(2,285)	(4,656)
Increase (Decrease) in Deferred Revenue	226	(598)	34	(338)
Net Cash Provided by (Used for) Operating Activities	(2,034)	(803)	202	(2,635)
Cash Flows from Noncapital Financing Activities:				
Interest Paid on Bonds	(1,667)			(1,667)
Principal Paid on Bonds	(800)			(800)
Net Cash (Used for) Noncapital Financing Activities	(2,467)			(2,467)
Cash Flows from Capital and Related Financing Activities:				
Acquisition of Capital Assets	(3)	(10)	(6,332)	(6,345)
Contributed Capital from Federal Government			6,897	6,897
Repayments to Tenant			(26)	(26)
Repayments to Primary Government			(1,075)	(1,075)
Payment on Loans			(70)	(70)
Equipment Lease Principal Payments			513	513
Net Cash Used for Capital and Related Financing Activities	(3)	(10)	(93)	(106)
Cash Flows from Investing Activities:				
Purchase of Investments	5,040	589	281	5,910
Interest Income on Investments	1,456			1,456
Net Cash Provided by Investing Activities	6,496	589	281	7,366
Net Increase (Decrease) in Cash and Cash Equivalents	1,992	(224)	390	2,158
Cash and Cash Equivalents - July 1	7,915	1,424	3,901	13,240
Cash and Cash Equivalents - June 30	\$ 9,907	\$ 1,200	\$ 4,291	\$ 15,398

Statistics

**TABLE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL AND SPECIAL REVENUE FUNDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
REVENUES:										
General Property Taxes	\$ 535	\$ 563	\$ 566	\$ 408	\$ 460	\$ 376	\$ 379	\$ 299	\$ 277	\$ 6,237
Special Taxes	726,398	670,054	606,135	543,910	648,688	587,539	718,243	676,228	403,640	314,639
Personal Taxes	73,765	76,091	50,421	44,498	44,013	43,703	41,161	39,340	39,508	38,148
Business License Taxes	209,470	195,182	192,608	180,363	166,090	163,151	155,487	155,194	142,092	139,282
Non-Business License Taxes	62,817	61,218	59,253	56,868	55,931	53,824	53,407	52,865	51,530	52,366
Fees	99,730	84,789	81,989	84,704	71,185	68,671	63,687	60,171	52,363	48,337
Fines, Penalties, and Interest	26,882	28,952	26,276	25,056	28,204	26,928	22,897	21,820	27,827	28,314
Grants from Federal Government	914,277	822,569	786,119	814,616	743,308	854,555	738,670	648,316	455,869	354,594
Grants from Private and Local Sources	116,154	117,707	103,298	107,368	93,269	86,685	72,293	67,325	62,614	54,906
Rents and Leases	1,553	4,960	4,832	4,673	4,320	4,305	3,856	4,090	3,769	3,683
Interest, Premiums, and Discounts	15,368	14,272	12,782	13,507	13,512	4,198	5,105	4,450	2,657	4,303
Sale of Commodities	9,826	13,141	11,634	10,485	8,907	10,000	8,701	7,517	8,828	10,164
Sale of Services	80,010	73,799	95,338	92,037	136,522	353,692	60,762	51,585	56,528	37,951
Assessments	16,771	16,441	15,157	14,058	13,625	13,968	17,231	15,640	14,300	11,147
Grants from Other Agencies	4,636	28,852	23,273	21,971	17,305	16,633	16,737	17,018	15,155	13,313
Miscellaneous	44,037	43,270	42,056	36,565	41,455	35,104	26,302	26,578	23,876	23,628
Total Revenues	2,402,229	2,251,860	2,111,737	2,051,087	2,086,794	2,323,332	2,004,918	1,848,436	1,360,833	1,141,012
EXPENDITURES:										
Current:										
General Government	178,530	172,926	177,403	180,569	184,538	179,829	175,754	166,650	162,375	156,021
Administration of Justice and Public Protection	193,291	196,322	166,614	156,330	150,774	140,429	135,073	127,998	122,860	101,823
Resource Protection and Development	114,199	106,492	102,520	91,089	89,630	87,559	101,833	74,091	62,369	55,751
Transportation	201,139	189,599	187,445	189,541	181,756	170,232	180,053	162,858	156,520	151,009
Health and Social Services	1,178,090	1,115,939	1,080,933	1,094,810	1,192,346	1,315,480	1,068,500	1,001,690	649,799	487,433
Education	274,297	260,400	225,547	205,425	202,192	205,767	249,928	238,223	223,525	209,889
Debt Service	78,730	74,293	75,461	74,754	65,131	63,939	59,842	60,652	60,163	51,999
Capital Outlay	155,663	133,435	125,492	102,758	90,956	102,952	101,033	71,565	69,883	72,043
Total Expenditures	2,373,939	2,249,406	2,141,415	2,095,276	2,157,323	2,266,187	2,072,016	1,903,727	1,507,494	1,285,968
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,290	2,454	(29,678)	(44,189)	(70,529)	57,145	(67,098)	(55,291)	(146,661)	(144,956)
OTHER FINANCING SOURCES (USES):										
Operating Transfers In	237,886	224,071	236,315	198,214	347,000	427,745	166,823	142,156	112,745	91,544
Operating Transfers Out	(244,501)	(224,065)	(236,442)	(196,062)	(347,913)	(428,538)	(233,492)	(142,210)	(109,094)	(93,217)
Operating Transfers from Enterprise Funds	132,829	124,329	117,704	106,879	99,681	103,525	93,830	92,445	89,497	81,786
Operating Transfers to Component Units	(68,540)	(65,880)	(63,750)	(64,000)	(63,500)	(71,165)			7,000	
Transfer from IDA			64	34	1,447		90,506	23,029	30,299	1,238
Proceeds from Issuance of Bonds										
Miscellaneous	(778)									
Proceeds of Refunding Bonds	103,351		53,595				122,400			900
Payment to Refunding Bond Escrow Agent	(103,351)		(53,595)				(122,400)			(900)
Total Other Financing Sources	56,896	58,455	53,891	45,065	36,715	31,567	117,667	115,420	130,447	81,351
Excess (Deficiency) of Revenues and Other Sources Over (Under) Expenditures and Other Uses	85,186	60,909	24,213	876	(33,814)	88,712	50,569	60,129	(16,214)	(63,605)
Fund Balances - July 1	349,855	288,946	264,733	263,857	297,671	208,959	158,390	98,261	114,475	178,080
Fund Balances - June 30	\$ 435,041	\$ 349,855	\$ 288,946	\$ 264,733	\$ 263,857	\$ 297,671	\$ 208,959	\$ 158,390	\$ 98,261	\$ 114,475

**TABLE OF UNRESTRICTED REVENUE
GENERAL FUND - GAAP BASIS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Beer Tax	\$ 11,783	\$ 11,442	\$ 11,366	\$ 11,113	\$ 11,217	\$ 11,199	\$ 11,182	\$ 11,357	\$ 13,305	\$ 12,180
Board and Care Revenue	11,196	12,966	13,992	13,628	14,439	14,006	12,772	12,266	13,548	14,454
Business Profits Tax	164,833	167,471	171,990	152,683	138,348	112,293	128,727	91,604	112,035	110,981
Business Enterprise Tax	93,021	71,036	38,239	24,969	29,764	23,975				
Estate and Legacy Tax	54,744	43,274	40,734	33,270	38,456	32,128	31,064	28,128	23,398	24,282
Insurance Tax	62,914	54,656	57,202	50,488	42,639	43,070	48,221	44,859	43,540	43,084
Securities Revenue ⁽¹⁾	22,465	20,522	18,042	15,622	13,722	13,097				
Interest and Dividends Tax ..	63,134	61,799	52,683	51,878	37,970	35,767	36,088	34,608	37,413	40,731
Liquor Sales and Distribution	77,444	75,440	71,713	65,971	63,626	63,990	63,463	62,493	58,549	55,100
Meals and Rooms Tax	137,258	128,688	118,984	113,369	107,501	101,418	95,398	92,078	89,803	83,803
Park Revenue ⁽²⁾				5,205	4,212	5,953	5,105	4,287	5,998	7,259
Dog Racing	1,026	1,011	2,213	2,166	2,802	3,147	4,073	4,819	5,954	7,184
Horse Racing	2,427	2,238	2,778	3,032	3,053	2,782	2,430	3,142	3,975	3,353
Real Estate Transfer Tax	52,925	44,162	33,330	30,192	28,971	29,221	26,837	35,105	28,893	32,319
Telephone/Communication Tax	46,219	40,134	39,253	35,519	33,212	30,512	29,529	27,762	22,231	12,788
Tobacco Tax	73,784	76,128	50,436	44,537	44,065	43,712	41,189	39,377	39,540	38,169
Utility Tax	10,402	17,731	17,562	17,488	17,073	19,962	21,077	22,998	10,114	8,194
Courts Fines and Fees	21,917	21,021	20,167	18,914	19,488	19,238	19,338	19,663	21,052	22,609
Savings Bank Tax ⁽³⁾							3,040	7,446	11,858	12,618
Other:										
Corporate Returns	659	655	698	657	621	608	935	1,092	930	926
Interstate Vehicle Registrations	2,858	2,795	2,714	2,857	2,842	2,515	2,960	2,744	2,613	2,549
Motor Boat Registrations ..	1,779	1,847	1,757	1,600	1,747	1,451	1,435	1,411	1,428	1,545
Corporate Filing Fees	3,229	3,227	3,219	3,093	3,042	2,997	6,562	6,398	6,266	4,499
Interest on Surplus Funds ..	5,978	2,990	181	324	2,885	1,252	2,463	1,485	1,033	2,215
Reimb. of Indirect Costs ...	4,903	5,100	4,184	4,215	6,151	5,648	5,595	6,328	4,733	4,551
Miscellaneous	26,192	29,991	26,266	24,516	25,821	26,992	19,453	20,383	18,475	16,779
Subtotal	953,090	896,324	799,703	727,306	693,667	646,933	618,936	581,833	576,684	562,172
Net Medicaid Enhancement Revenues (MER)	70,411	67,502	54,268	101,983	116,614	250,400	180,059	166,471	52,000	
Subtotal	1,023,501	963,826	853,971	829,289	810,281	897,333	798,995	748,304	628,684	562,172
Other MER Transferred to/ (from) Uncompensated Care Pool	15,839	9,204	43,482	(10,483)	152,552	222,700				
Total Unrestricted Revenue	\$ 1,039,340	\$ 973,030	\$ 897,453	\$ 818,806	\$ 962,833	\$ 1,120,033	\$ 798,995	\$ 748,304	\$ 628,684	\$ 562,172

⁽¹⁾ Beginning in FY 1994, Securities Revenues were reported separately from the Insurance Tax.

⁽²⁾ Beginning in FY 1998, Park Revenue was reclassified as Restricted Revenue.

⁽³⁾ Effective July 1, 1993, the Savings Bank Tax was repealed.

**TABLE OF UNDESIGNATED FUND BALANCE
GENERAL FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Balance, July 1 (Budgetary Method)	\$ 131,367	\$ 42,638	\$ 11,356	\$ 53,769	\$ 66,462	\$ 76,118	\$ 64,907	\$ 23,076	\$ (539)	\$ 39,807
Additions:										
Unrestricted Revenue	1,023,501	960,530	873,749	795,996	847,406	897,333	798,995	748,304	628,684	562,172
Unrestricted Revenue - UCP ⁽¹⁾	15,839	12,500	23,704	22,810	115,427	222,700				
Total Unrestricted Revenue	1,039,340	973,030	897,453	818,806	962,833	1,120,033	798,995	748,304	628,684	562,172
Transfer from Other Funds	2,334	1,051	1,062	3,374	692	699	806	689	5,116	956
Bonds Authorized and Unissued	(7,337)					1,000	3,800		20,000	
Additional Sweepstakes Transfer	8,579									
Other Credits	7,541	5,348	51	436	1,054	383	1,659	1,227	6,914	4,868
Total Additions	1,050,457	979,429	898,566	822,616	964,579	1,122,115	805,260	750,220	660,714	567,996
Deductions:										
Appropriations Net of Estimated Revenue:										
General Government	203,368	185,447	185,695	175,145	192,018	177,992	176,098	164,693	155,397	143,822
Administration of Justice and Public Protection	136,298	128,992	109,324	107,573	99,498	96,464	86,286	83,750	78,473	75,885
Resource Protection and Development	38,483	37,238	35,071	40,256	37,479	38,931	30,942	18,950	34,510	32,814
Transportation	2,882	2,935	2,845	2,886	2,710	3,117	2,799	2,813	2,860	2,955
Health and Social Services	218,549	212,160	205,796	203,716	214,601	207,651	191,721	185,110	178,695	175,435
Education	156,335	154,785	124,941	119,970	122,203	128,932	116,434	111,918	107,397	101,010
Liquor Commission	22,550	22,119	20,443	20,774	19,887	19,466	19,893	19,319	18,856	19,120
Special Fund	205,086	197,903	195,957	195,011	207,410	172,166	157,246	140,900	106,198	85,604
Subtotal	983,551	941,579	880,072	865,331	895,806	844,719	781,419	727,453	682,386	636,645
Uncompensated Care Pool	15,839	12,500	23,704	22,810	115,427	222,700				
Health Care Fund (HCF)		14,786	6,500	7,912	8,418					
Total Appropriations Net of Estimated Revenues	999,390	968,865	910,276	896,053	1,019,651	1,067,419	781,419	727,453	682,386	636,645
Less: Lapses	(42,794)	(24,105)	(25,493)	(25,973)	(28,614)	(28,046)	(25,582)	(20,056)	(18,017)	(29,517)
Lapses - HCF	(485)		(6,415)	(790)	(12,861)					
Total Lapses	(43,279)	(24,105)	(31,908)	(26,763)	(41,475)	(28,046)	(25,582)	(20,056)	(18,017)	(29,517)
Net Appropriations	956,111	944,760	878,368	869,290	978,176	1,039,373	755,837	707,397	664,369	607,128
Transfers to Other Funds	872	280	398	595	965	834	349	203		185
Other Debits	2,704	865	1,823	2,266	2,481	1,315	303	789	1,216	1,029
Transfer to Fund Equity Reserve or Designation Accounts	102,653	(55,205)	(13,305)	(7,122)	(4,350)	90,249	37,560		(28,486)	
Total Deductions	1,062,340	890,700	867,284	865,029	977,272	1,131,771	794,049	708,389	637,099	608,342
Balance, June 30 (Budgetary Method) . . .	119,484	131,367	42,638	11,356	53,769	66,462	76,118	64,907	23,076	(539)
GAAP Adjustments:										
Receivables	4,827	1,520	2,764	3,414	4,555	4,132	4,563	3,525	4,539	3,479
Accounts Payable and Accrued Liabilities	(62,191)	(58,082)	(53,199)	(58,669)	(56,777)	(52,778)	(45,246)	(46,232)	(46,651)	(38,409)
Transfer from General Fund to Liquor Fund	(3,628)	(3,677)	(3,180)	(2,942)	(2,523)	(2,301)	(2,309)	(2,384)	(2,139)	(2,211)
Transfer from General Fund to Special Fund	(27,488)	(26,127)	(29,207)	(10,531)	(34,133)	(2,546)	(1,643)	(1,199)	(3,353)	(1,546)
Elimination Bonds Authorized Additional Transfer (to) from Reserve Accounts	(31,004)	(3,602)	38,960	13,221	35,109	(1,000)				28,486
Total GAAP Adjustments	(119,484)	(89,968)	(43,862)	(55,507)	(53,769)	(54,493)	(44,635)	(46,290)	(47,604)	(10,201)
Balance, June 30 (GAAP)	\$ -0-	\$ 41,399	\$ (1,224)	\$ (44,151)	\$ -0-	\$ 11,969	\$ 31,483	\$ 18,617	\$ (24,528)	\$ (10,740)

(1) UCP = Uncompensated Care Pool

**TABLE OF UNDESIGNATED FUND BALANCE
HIGHWAY FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Balance, July 1 (Budgetary Method) . .	\$ 7,439	\$ 11,001	\$ (2,903)	\$ 8,299	\$ 1,050	\$ (2,104)	\$ 1,377	\$ (6,253)	\$ (6,591)	\$ (2,441)
Additions:										
Unrestricted Revenue:										
Gasoline Tax	119,863	115,517	111,001	107,025	102,053	97,222	96,311	94,107	90,381	82,588
Motor Vehicle Fees	66,320	64,452	62,449	60,174	59,462	56,425	55,313	55,025	52,816	53,840
Other	10,544	9,263	10,090	10,709	8,405	7,501	7,383	8,677	7,433	8,926
Total Unrestricted Revenue	196,727	189,232	183,540	177,908	169,920	161,148	159,007	157,809	150,630	145,354
Bonds Authorized and Unissued . . .						1,300	13,500	3,250	1,000	5,000
Other Credits		767	43		370	3,586	6,154			78
Total Additions	196,727	189,999	183,583	177,908	170,290	166,034	178,661	161,059	151,630	150,432
Deductions:										
Appropriations Net of Estimated Revenues	211,816	200,378	175,814	193,270	168,799	168,210	182,818	158,258	161,393	158,374
Less: Lapses	(16,656)	(8,322)	(7,717)	(6,534)	(7,038)	(7,007)	(6,198)	(6,402)	(11,844)	(6,679)
Net Appropriations	195,160	192,056	168,097	186,736	161,761	161,203	176,620	151,856	149,549	151,695
Bonds Authorized and Unissued	5,736									
Other Debits	1,816	1,505	1,582	2,374	1,280	1,677	5,522	1,573	1,743	2,887
Total Deductions	202,712	193,561	169,679	189,110	163,041	162,880	182,142	153,429	151,292	154,582
Balance, June 30 (Budgetary Method) .	1,454	7,439	11,001	(2,903)	8,299	1,050	(2,104)	1,377	(6,253)	(6,591)
GAAP Adjustments:										
Receivables	269	404	934	317	777	560	4,257	1,180	4,464	3,577
Accounts Payable and Accrued Liabilities	(9,131)	(9,735)	(9,803)	(8,567)	(9,707)	(8,923)	(5,866)	(7,671)	(11,040)	(10,480)
Bonds Authorized and Unissued	(13,309)	(19,045)	(19,045)	(19,109)	(19,142)	(19,590)	(18,290)	(11,629)	(10,605)	(19,904)
Total GAAP Adjustments	(22,171)	(28,376)	(27,914)	(27,359)	(28,072)	(27,953)	(19,899)	(18,120)	(17,181)	(26,807)
Reclassification of Designated Balance .				39,732	42,962	32,515	6,377	28,519	49,196	46,318
Balance, June 30 (GAAP)	\$ (20,717)	\$ (20,937)	\$ (16,913)	\$ 9,470	\$ 23,189	\$ 5,612	\$ (15,626)	\$ 11,776	\$ 25,762	\$ 12,920

**TABLE OF UNDESIGNATED FUND BALANCE
FISH AND GAME FUND
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

	Fiscal Year Ended June 30,									
	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Balance, July 1 (Budgetary Method) . . .	\$ 5,006	\$ 4,310	\$ 4,068	\$ 4,539	\$ 3,999	\$ 3,176	\$ 3,235	\$ 3,460	\$ 2,729	\$ 1,943
Additions:										
Unrestricted Revenue	8,158	7,923	7,397	6,769	6,819	6,654	6,715	6,410	6,281	6,111
Other Credits	742	847	791	871	640	818		28	935	525
Total Additions	8,900	8,770	8,188	7,640	7,459	7,472	6,715	6,438	7,216	6,636
Deductions:										
Appropriations Net of Estimated Revenues	8,809	8,350	8,311	8,413	7,502	7,294	7,073	6,977	6,733	6,557
Less: Lapses	(479)	(276)	(385)	(302)	(730)	(645)	(327)	(337)	(308)	(707)
Net Appropriations	8,330	8,074	7,926	8,111	6,772	6,649	6,746	6,640	6,425	5,850
Other Debits	112		20		147		28	23	60	
Total Deductions	8,442	8,074	7,946	8,111	6,919	6,649	6,774	6,663	6,485	5,850
Balance, June 30 (Budgetary Method) . . .	5,464	5,006	4,310	4,068	4,539	3,999	3,176	3,235	3,460	2,729
GAAP Adjustments:										
Receivables	438	211	128	124	102	130	96	100	96	142
Accounts Payable and Accrued Liabilities	(1,238)	(1,325)	(1,182)	(1,120)	(871)	(992)	(782)	(758)	(778)	(471)
Total GAAP Adjustments	(800)	(1,114)	(1,054)	(996)	(769)	(862)	(686)	(658)	(682)	(329)
Balance, June 30 (GAAP)	\$ 4,664	\$ 3,892	\$ 3,256	\$ 3,072	\$ 3,770	\$ 3,137	\$ 2,490	\$ 2,577	\$ 2,778	\$ 2,400

**SCHEDULE OF REVENUE BOND COVERAGE RATIO
TURNPIKE SYSTEM REVENUE BONDS
FOR THE LAST TEN FISCAL YEARS
(Expressed in Thousands)**

Fiscal Year	Gross Revenues*	Direct Operating Expenses*	Net Revenue Available For Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest	Total	
1999	\$ 59,257	\$ 18,794	\$ 40,463	\$ 5,817	\$ 16,469	\$ 22,286	1.82
1998	58,033	16,352	41,681	6,063	15,615	21,678	1.92
1997	55,714	17,231	38,483	5,653	15,944	21,597	1.78
1996	53,231	17,024	36,207	5,348	16,247	21,595	1.68
1995	51,670	17,336	34,334	4,416	16,462	20,878	1.64
1994	49,573	15,749	33,824	3,525	14,744	18,269	1.85
1993	47,859	15,968	31,891	2,940	13,623	16,563	1.93
1992	48,097	15,020	33,077	2,579	14,165	16,744	1.98
1991	49,165	13,459	35,706	2,265	14,489	16,754	2.13
1990	44,488	12,208	32,280	1,373	9,748	11,121	2.90

* - Amounts as defined in Turnpike System Bond Resolutions.

**RATIO OF GENERAL LONG-TERM DEBT TO ASSESSED VALUE
AND GENERAL LONG-TERM DEBT PER CAPITA
FOR THE LAST TEN FISCAL YEARS**

(Expressed In Thousands)					
	(1)	(2)	(3)	Ratio Of	General Long-
Fiscal Year	Population	Assessed Value	General Long-Term Debt	General Long-Term Debt To Assessed Value	Term Debt Per Capita
1999	1,196	\$66,683,773	\$645,907	.97	\$540
1998	1,185	66,683,773	617,525	.93	521
1997	1,172	64,980,410	661,353	1.02	564
1996	1,160	64,013,126	663,286	1.03	572
1995	1,146	63,115,248	646,316	1.02	564
1994	1,133	62,832,676	614,982	.98	543
1993	1,122	61,230,364	610,456	1.00	544
1992	1,113	61,895,766	538,013	.87	483
1991	1,107	60,024,128	510,078	.85	461
1990	1,112	54,386,255	441,060	.81	397

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (1999 estimated).
(2) New Hampshire Department of Revenue Administration (1999 estimated).
(3) Includes all General Obligation Bonds Payable of the Primary Government.

**DEMOGRAPHIC STATISTICS
FOR THE LAST TEN FISCAL YEARS**

	(1)	(2)	(3)
Year	Population	Per Capita Income	Unemployment Rate
1999	1,196,000	\$ 30,278	2.6%
1998	1,185,000	29,022	2.7
1997	1,172,000	27,766	3.2
1996	1,160,000	26,418	4.4
1995	1,146,000	25,313	3.9
1994	1,133,000	24,119	4.6
1993	1,122,000	22,918	6.5
1992	1,113,000	22,232	7.6
1991	1,107,000	21,023	7.2
1990	1,112,000	20,227	5.7

Sources: (1) U.S. Dept. of Commerce, Bureau of the Census, reflects the most current available data for all years represented (1999 estimated).
(2) U.S. Dept. of Commerce, Bureau of Economic Analysis, reflects the most current available data for all years represented (1999 estimated).
(3) New Hampshire Department of Employment Security, Economic and Labor Market Information Bureau.

**NUMBER OF BUILDING PERMITS FOR HOUSING UNITS
FOR THE LAST TEN CALENDAR YEARS**

Year	Single Family Houses	Two Family Buildings	Three and Four Family Buildings	Five or More Family Buildings	Total
1999*	5,429	77	37	36	5,579
1998	5,310	59	39	19	5,427
1997	4,598	39	31	49	4,717
1996	4,233	44	10	42	4,329
1995	4,105	24	11	19	4,159
1994	4,130	63	19	24	4,236
1993	3,724	26	11	22	3,783
1992	3,652	27	13	23	3,715
1991	3,311	20	14	11	3,356
1990	3,439	69	16	24	3,548

Source: U.S. Department of Commerce, Bureau of the Census.
* Data is annualized based on activity through July 31, 1999.

**SCHEDULE OF THE TWENTY LARGEST PRIVATE SECTOR EMPLOYERS
(Based on Number of Employees in the state)**

Wal-Mart Stores, Inc.
DeMoulas/Market Basket
Sanders (a Lockheed Martin Company)
Hannaford Brothers / Shop 'N Save
Compaq Computers

Shaw's Supermarket, Inc.
Dartmouth College
Optima Healthcare
Cabletron Systems, Inc.
Liberty Mutual Group

HADCO Corporation
Bell Atlantic
Freudenberg-NOK
Fidelity Investments
Osram Sylvania, Inc.

Teradyne, Inc., Connection Systems
General Electric Meter Business
Timken Aerospace
Oxford Health Plans
Hitchner Manufacturing Co., Inc.

STATE OF NEW HAMPSHIRE

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